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**THE EFFECTS OF FOOD STAMP CASH-OUT ON
ADMINISTRATIVE COSTS, PARTICIPATION,
AND FOOD RETAILERS IN SAN DIEGO**

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EXECUTIVE SUMMARY

This report examines the impacts of cashing out the Food Stamp Program (FSP) in San Diego County, California. It is based on information from an experimental cash-out demonstration conducted in San Diego beginning in July 1989. Under the demonstration, FSP participants receive their benefits in the form of checks rather than the usual coupons.

This report focuses principally on the administrative and participation outcomes of the demonstration and on its effects on retailers. A companion report discusses the impacts of the demonstration on participating households and their food use (Ohls et al. 1992).

POLICY CONTEXT

How benefits should be paid under the FSP has long been debated. Advocates of the current coupon system argue that coupons are a direct and inexpensive way to ensure that food stamp benefits are used to purchase food. Coupon advocates contend that, despite some evidence of fraud and benefit diversion under the current system, food stamps are used largely to purchase food. In addition, they contend that coupons give household food budgets some measure of protection against other demands on limited household resources.

Advocates of cashing out the FSP argue that the current system limits the food-purchasing choices of recipients and places a stigma on participation. Moreover, they cite the cumbersome nature and cost of coupon issuance, transaction, and redemption.

The current debate about the desirability of one form of benefit over the other is limited by the paucity of available empirical evidence comparing coupon and cash benefits. The U.S. Department of Agriculture, Food and Nutrition Service (FNS), conducted two studies in the early 1980s: (1) the Supplemental Security Income/Elderly Cash-out Demonstration, and (2) the Puerto Rico Nutrition Assistance Program (NAP) evaluation. Although both studies produced valuable findings, they examined the effects of cash-out on highly atypical food stamp populations--elderly participants, and the extremely low-income Puerto Rico food stamp caseload. The results of these studies could not reliably be generalized to the broader food stamp caseload.

Thus, more in-depth information on the effects of cash-out was required to inform the policy debate more effectively. The San Diego Food Stamp Cash-Out Demonstration was fielded to allow a rigorous evaluation of the effects of cash-out. The San Diego demonstration is one of four tests of the cash-out approach that FNS has undertaken since 1989. The other three are (1) the Washington State Family Independence Program (FIP), (2) the Alabama Avenues of Self-Sufficiency through Employment and Training Services (ASSETS) Demonstration, and (3) the Alabama "Pure" Cash-Out Demonstration.

KEY POLICY ISSUES

This report addresses several major policy issues associated with cash-out.

Effects on Administrative Costs

An important reason for exploring cash-out is that it could significantly reduce the administrative costs of the FSP. Checks are an exceedingly efficient way to transfer purchasing power to FSP participants, and advocates of cash-out have argued that the cash-out system could substantially reduce the cost of issuing benefits. Among the costs that could be reduced are those associated with printing coupons, storing the coupons securely, distributing coupons to participants, and redeeming coupons through stores, banks, and the Federal Reserve system.

Effects on Vulnerability to Losses and Fraud

Coupons are highly negotiable instruments that can be redeemed without endorsement or proof of identity. Conversely, checks are much more difficult to cash fraudulently and have a better audit trail if fraud is suspected. Thus, San Diego officials believed that cash-out would reduce issuance losses and fraud.

Effects on Program Participation

By altering the nature of the FSP, cash-out could change the attractiveness of the program to potential participants. These potential effects on satisfaction with the program could alter the decisions of eligible households to participate, which has implications for program costs and for how well the program meets its objective to help support the nutritional needs of low-income households.

Effects on Retailers

Retailers play a critical role in the FSP. Recipients purchase eligible food items by presenting food stamp coupons to cashiers at stores authorized to participate in the FSP. Food retailers then redeem the coupons for cash at banks and later reconcile the transactions. Cash-out may reduce the overall FSP participation costs to retailers because they do not need special procedures for handling and reconciling coupon benefits and training employees. The central issue for authorized food retailers, however, is whether they will lose sales volume if households change their food-purchasing behavior, either by reducing food expenditures or shifting their shopping locations.

THE DEMONSTRATION AND ITS SETTING

The substitution of cash for coupons is the only change in existing program procedures for the San Diego Food Stamp Cash-Out Demonstration. The demonstration has two phases. First, in July 1989, the county cashed out 20 percent of the existing and new certified caseload. Cases assigned to receive checks were selected at random. In September 1990, the entire caseload began receiving checks rather than coupons. The entire caseload continues to receive cash food assistance as of this report. The experiment is scheduled to end in March 1994.

Three aspects of the San Diego area should be highlighted. First, the county is predominantly urban. Second, a relatively high proportion (83 percent) of the food stamp caseload receives Aid to

Families with Dependent Children (AFDC) cash benefits. Given California's relatively generous AFDC payments, food stamp benefit levels relative to household income are lower for FSP participants in San Diego than for participants in many parts of the country. Third, for the majority of households in the caseload that receive both AFDC and food stamps, the benefits are included together in the same check.

THE RESEARCH DESIGN

Analysis of the effects of cash-out on administrative costs entails comparing detailed per-issuance cost estimates for coupon and check issuance. Estimates of the staff time devoted to each type of issuance were derived from information supplied by San Diego County, together with interviews of the supervisors of the categories of employees involved in the check and coupon systems. These interviews produced descriptions of the issuance processes used in both systems and allowed MPR staff to obtain estimates of the average amount of staff time required for each step in the issuance process. Each of the eight local district offices operating in the county at the start of the demonstration was visited, and approximately 25 interviews of staff supervisors were performed.

Estimates of issuance costs other than staff time were based on detailed information supplied by San Diego County. Impacts on Federal costs were based on estimates of the Federal costs associated with coupon issuance that had been developed for an earlier study. Impacts at the state level were based on state-supplied data.

The vulnerability of the two types of issuance systems to fraud and other types of losses was analyzed on the basis of comparisons of various categories of losses under cash-out with those under coupons. These comparisons were made for three time periods: the period prior to the demonstration, the period of partial cash-out, and the period of full cash-out.

Analysis of the effects of cash-out on program participation was based largely on monthly participation data. Changes in participation levels in San Diego County were compared with similar data for several other Southern California counties and for the state overall.

The retailer study is based largely on data from a telephone survey with a probability sample of managers of retail food stores authorized to participate in the FSP when San Diego County converted to food stamp cash-out. The survey was conducted between December 1991 and January 1992, after all program participants had been cashed out for more than a year. The final sample consisted of 396 retail food stores--164 supermarkets and 232 smaller stores. The survey attained an overall response rate of 81 percent.

The retailer survey was based on a retrospective research design. Retailers were surveyed only once and asked to compare their stores' operations, staffing, profits, and sales levels after cash-out with their levels under the coupon issuance system. Because of retailers' concerns about the confidentiality of data, as well as limitations in the available data--particularly for small retailers--the survey focused on retailers' *perceptions* of changes in operations, staffing, sales, and profits. It is possible that in some instances respondents' perceptions of changes may not have been accurate. In addition, in interpreting the data, the reader should note that other factors independent of the demonstration may have affected retail sales when cash-out was implemented--most important, the deepening recession and other economic and demographic trends. Given these factors, the survey findings must be viewed as *suggestive* of the possible effects of the demonstration on retailer sales, rather than as providing clear evidence.

The analysis converted retailers' responses to survey questions into descriptive statistics, such as frequencies and means. Two general types of tabulations of the survey data were conducted. The first made the sample directly representative of stores--that is, one store was counted as one site, regardless of its size. The second reflected the distribution of food-stamp redemptions across stores, so that stores with a high volume of food stamp-based sales, such as supermarkets in low-income areas, had more importance in the tabulations than did stores in which relatively few coupons are redeemed.

To supplement the survey information on the impact of cash-out on sales, the analysis drew on sales data obtained from a few large retail chains and one wholesaler. The retail chain data are for two types of stores, supermarkets and convenience stores. The wholesaler data cover grocery stores. In addition, the analysis relies on data from the household survey on food use to explore issues associated with the impact of cash-out on sales.

FINDINGS

Cash-out substantially reduced issuance costs. At the county level of operations, the average cost per food stamp issuance was reduced from \$2.21 to \$0.19. This savings of \$2.02 per issuance yielded a total estimated savings of \$1.3 million annually. Under the current cost-sharing arrangements, 50 percent of these savings accrue to the Federal government, 35 percent to the state, and 15 percent to the county. On the basis of work by other researchers, extending cash-out to the entire FSP would generate additional savings of approximately 51 cents per issuance in printing and administrative oversight costs at the Federal level.

County-level savings come from two main sources. First, cash-out eliminated the need for an administrative unit with 13 full-time equivalent employees. This unit had been responsible for monitoring coupon distribution and preparing coupons for mailing to households. Second, postage costs fell substantially. Under the coupon system, certified mail (rather than regular first-class mail) was used for approximately 60 percent of issuances, due to security reasons. Under cash-out, all checks were sent via regular mail. Checks are also less bulky than coupons and thus require less postage.

Cash-out substantially reduced the vulnerability of the issuance system to theft and fraud. In the months before the start of partial cash-out, issuance system losses were on the order of \$22,000 monthly. After the switch to full cash-out, losses fell to approximately \$1,000 monthly, despite a considerable increase in the caseload for reasons not associated with the demonstration.

In addition to reducing issuance losses substantially, cash-out also changed the locus of liability for losses that were incurred. Losses under the coupon system require that replacement coupons be issued, thus imposing costs on the public sector. In contrast, liability for losses associated with a fraudulently cashed check rests, in general, with the person or institution cashing the check.

There is no significant evidence that cash-out increased Food Stamp Program participation. San Diego's caseload grew very rapidly--by 38.7 percent--in the two years after cash-out was introduced. However, comparable or larger caseload increases occurred in several other Southern California counties. It appears that the increase in San Diego's caseload reflects factors that were not related to the demonstration, such as the deteriorating economy during this period.

Cash-out probably reduced retailer sales, but the magnitude of the decline is uncertain. More than half the stores in the retailer survey believed that cash-out had reduced their sales; 30 percent believed that there had been a "large" decrease. Although the number who believed that sales declined is consistent with the household survey data, the percentage reporting a "large" decline is higher than one would expect. In particular, the household survey findings suggest that cash-out may have reduced the food expenditures of a typical San Diego food stamp household by 6 to 8 percent. Since food stamp households constitute only a small proportion of all food shoppers in the county, this would imply that, on average, retailer sales would fall by less than one percent. It seems likely that some of the store managers who reported large declines were attributing to cash-out their change in sales due to other factors.

The retail and wholesale sales data examined are largely consistent with the hypothesis that cash-out had a negative impact on sales. Data for three of the four retail chains indicate lower sales after cash-out, and the wholesaler's average sales declined more in San Diego than in other Southern California locations. The size of the apparent effects in some of these data sets suggests that these data, too, may be influenced by other factors besides cash-out.

Other key findings of the study include the following:

- Food retailers reported that cash-out reduced the time devoted by store staff to handling and reconciling benefits and checking out customers; for some stores, this reduction may have been offset at least partially by the increase in staff time devoted to cashing FSP checks.
- Few retailers reported that cash-out affected total store employment. When cash-out did affect store employment, stores reported that the effect was due more to changes in sales than to changes in store operations.
- Many food retailers, especially those whose food stamp sales were larger prior to cash-out, reported that cash-out reduced their overall profits.
- Fewer than half (44 percent) of authorized food retailers cash FSP checks, but these stores accounted for nearly 90 percent of food stamp redemptions prior to cash-out. Retailers that cash FSP checks have varying check-cashing policies. Few retailers reported problems with cashing fraudulent FSP checks.
- In general, food retailers prefer FSP coupons to checks; however, preferences for coupons and checks are strongly related to the change in total sales that the store reported because of cash-out.

CONCLUSIONS

The San Diego Food Stamp Cash-Out Demonstration accomplished its two primary administrative objectives--to lower administrative costs and to reduce the vulnerability of the issuance system to loss and fraud. The cost of issuing food stamp benefits was reduced by \$2.02 per monthly issuance. The average losses from theft and fraud were cut from approximately \$22,000 to about \$1,000 monthly. Cash-out had no observable effects on the third primary outcome measure--program participation levels.

For the fourth policy issue--the effects on retailers--survey findings suggest that food retailers believe that cash-out reduced the staff time required for some key store activities. However, retailers perceive that, on average, cash-out reduced store sales of food items, total sales, and store profits. Overall, retailers prefer coupons to checks. The survey findings suggest that the retail community may not favor or will not support replacing coupon benefits with check benefits.

In an overall assessment of the cash-out demonstration, these outcomes must be considered in the context of the findings of the companion report on the demonstration's effects on households. Ohls et al. (1992) estimate that the demonstration led to a relatively small but statistically significant reduction of 6 to 8 percent in the value of food used at home by FSP participants, thus reducing the program's ability to accomplish its nutrition-related goals.

Overall, the evidence from the demonstration is that cash-out can improve the FSP's performance in some dimensions, but only at the cost of reducing its ability to meet other objectives. The challenge for the policy-making process is to determine the appropriate balance between these competing goals.

I. INTRODUCTION

This report examines the impacts of cashing out the Food Stamp Program (FSP) in San Diego County, California. It is based on information from an experimental cash-out demonstration conducted in San Diego beginning in July 1989. Under the demonstration, FSP participants received their benefits in the form of checks rather than the usual coupons.

This report focuses primarily on the administrative and participation outcomes of the demonstration and on the impacts of cash-out on retailers. A companion report discusses the impacts of the demonstration on participating households and their food use (Ohls et al. 1992).

A. THE POLICY CONTEXT

The Food Stamp Program (FSP) provides monthly benefits to households that meet certain income, asset, and employment-related tests, helping them purchase food to maintain nutritionally adequate diets. Benefits are in the form of coupons redeemable only for food at retail stores authorized to participate in the FSP. Recipients may use coupons only to purchase eligible food items; several prepared food items and all nonfood items are excluded. The monthly coupon amount for recipients is based on the size and income of the participating household.

How benefits should be paid out under the FSP has long been debated. Advocates of the current coupon system argue that coupons are a direct and inexpensive way to ensure that food stamp benefits are used to purchase food. They contend that, despite some evidence of fraud and benefit diversion under the current system, food stamps are used largely to purchase food. In addition, they contend that coupons give household food budgets some measure of protection against other demands on limited household resources.

Advocates of cashing out the FSP argue that the current system limits the food-purchasing choices of recipients and places a stigma on participation. Moreover, they cite the cumbersome nature and cost of coupon issuance, transaction, and redemption.

The current debate about the desirability of one form of benefit over the other is limited by the paucity of available empirical evidence comparing coupon and cash benefits. The U.S. Department of Agriculture, Food and Nutrition Service (FNS), conducted two studies in the early 1980s: (1) the Supplemental Security Income/Elderly Cash-out Demonstration, and (2) the Puerto Rico Nutrition Assistance Program (NAP) evaluation. Although both studies produced valuable findings, they examined the effects of cash-out on highly atypical food stamp populations--elderly participants in the program, and the extremely low-income Puerto Rico food stamp caseload. The results of these studies could not reliably be generalized to the broader food stamp caseload.

Thus, more in-depth information on the effects of cash-out was required to inform the policy debate more effectively. The San Diego Food Stamp Cash-Out Demonstration was fielded to allow a rigorous evaluation of the effects of cash-out. The San Diego demonstration is one of four tests of the cash-out approach that FNS has undertaken since 1989. The other three are (1) the Washington State Family Independence Program (FIP), (2) the Alabama Avenues of Self-Sufficiency through Employment and Training Services (ASSETS) Demonstration, and (3) the Alabama "Pure" Cash-Out Demonstration.

B. KEY POLICY ISSUES

Cash-out is a very fundamental and far-reaching change in the structure of the Food Stamp Program. As such, it has potential implications for a broad set of program characteristics and outcomes.

1. Effects on Household Food Expenditures and Nutrient Availability

Of paramount concern in evaluating cash-out is its potential effects on household food expenditures and food consumption. There is concern that cash-out, by weakening the linkages between program benefits and food, could reduce the program's effectiveness in accomplishing its stated objective of "raising the levels of nutrition among low-income households." This first issue is

not addressed in this volume but is the subject of the first report on the effects of cash-out in San Diego, Ohls et al. 1992.

2. Effects on Administrative Costs

An important reason for exploring cash-out is that it could significantly reduce the administrative costs of the FSP. Checks are an exceedingly efficient way to transfer purchasing power from the Food Stamp Program to program participants, and advocates of cash-out have argued that the cash-out system could substantially reduce the cost of issuing benefits. Among the costs that could be reduced are those associated with printing coupons, storing the coupons securely, distributing coupons to participants, and redeeming coupons through stores, banks, and the Federal Reserve System.

3. Effects on Vulnerability to Losses and Fraud

Coupons are highly negotiable instruments that can be redeemed without endorsement or proof of identity. Conversely, checks are much more difficult to cash fraudulently and have a better audit trail if fraud is suspected. Thus, San Diego officials believed that cash-out would reduce issuance losses and fraud.

4. Effects on Program Participation

By altering the nature of the FSP, cash-out could change the attractiveness of the program to potential participants. For instance, the greater spending flexibility under cash-out might make program participation more desirable. Yet some participants might prefer the more rigid budgeting structure afforded by the coupons.

These potential effects on participants' satisfaction with the program could alter the decisions of eligible households to participate. These effects have implications both for the extent to which the program meets its objective to help support the nutritional needs of low-income households and for program costs.

5. Effects on Food Retailers

Issuing FSP benefits by check would involve major procedural changes for authorized food retailers. Essentially, it would eliminate all coupon-related activities, including the authorization process necessary to allow stores to participate in the program, the redemption of coupons at store checkout lines, the reconciliation of redeemed coupons, and the deposit of the coupons at banks.

Yet, for stores that cash FSP benefit checks, the increase in check cashing would increase some of the costs of participating in the FSP--the staff time devoted to cashing the benefit checks, reconciling and preparing bank deposits (including these checks), and cashing fraudulent FSP checks, including the dollar losses associated with fraud. Too, cash-out also may require that stores maintain a greater cash balance, increasing both their financial costs and their risks of theft. The costs were exacerbated in San Diego by the fact that food stamp cases that are also AFDC recipients receive a single check for both food stamp and AFDC benefits. Given the high AFDC benefit levels in California, the size of those checks could be substantial, ranging up to \$1,000 or more for large families.

In addition to affecting retailers' costs, cash-out may affect their sales if it alters the shopping patterns and expenditures of recipients. Because the FSP benefit under cash-out would no longer be linked directly to food purchases, cash-out may reduce the amount of food that recipients purchase from authorized retailers--for example, if they prefer instead to purchase more food from take-out restaurants or stores not authorized to accept food stamps, or shift their expenditures from food to nonfood items. If the revenue loss from lower food sales is not offset by revenue from an increase in the sale of formerly ineligible food items or nonfood items, cash-out would adversely affect the total sales of authorized stores.

Overall, cash-out has, potentially, both advantages and disadvantages for authorized retailers. Cash-out is likely to reduce their overall FSP participation costs, but they may lose sales if recipients change their shopping and expenditure patterns. Whether retailers prefer FSP checks or coupons

is likely to depend on their perception about whether the savings generated by changes in their store operations exceed their losses from lower sales.

C. OVERVIEW OF THE FNS RESEARCH STRATEGY FOR CASH-OUT

To increase policymakers' understanding of the effects of cash-out, FNS approved cash-out in four major demonstrations:

- ***Washington State Family Independence Program (FIP).*** AFDC recipients who are served by certain randomly selected welfare offices in Washington State have their food stamps cashed out as part of a broader set of welfare reform initiatives being tested.
- ***San Diego Food Stamp Cash-Out Demonstration.*** In July 1989, 20 percent of the food stamp caseload was cashed out. All food stamp households in San Diego County were converted to cash food benefits on September 1, 1990.
- ***Alabama Cash-Out Demonstration.*** Approximately 2,100 households were randomly selected to be cashed out in 12 Alabama counties from May to December 1990. These households have been compared with an equivalent group of coupon-recipient households.
- ***Alabama Avenues to Self-Sufficiency through Employment and Training Services (ASSETS) Demonstration.*** Participating households at three ASSETS demonstration sites have been cashed out. These households have been compared with a similar group of households at three nondemonstration sites.

These sites exhibit several substantially different characteristics of importance, including the average amount of the food stamp benefits per household, the degree of urbanization, and the availability of other assistance, such as AFDC and General Assistance. Two of the demonstrations (San Diego and Alabama) are "pure" demonstrations, involving only cash-out, and two (Washington FIP and Alabama ASSETS) are "mixed," operating in conjunction with other policy interventions.

Evaluations are being conducted for each of the cash-out demonstrations. Because the San Diego and Alabama demonstrations do not involve any other policy changes, evaluations of those demonstrations will be the most comparable and the most relevant to shedding light on certain aspects of cash-out.

It is important to note that the San Diego and Alabama demonstrations provided opportunities to observe cash-out in two very different settings. San Diego is a highly urbanized county in a state that offers relatively large AFDC benefits. Alabama offers relatively small AFDC benefits, and 10 of the 12 counties included in the Alabama demonstration are predominantly rural. There are six FIP demonstration sites, covering a range of urban and rural settings; Washington State offers relatively large AFDC benefits.

D. THE CONTEXT AND DESIGN OF THE SAN DIEGO CASH-OUT DEMONSTRATION

With a population of 2.5 million persons, San Diego County is the fifth largest county in the United States. It is relatively affluent, with an average per-capita personal income that is 7 percent higher than the national average. Low-income families and individuals in the county may qualify for California's comparatively high levels of cash public assistance. In 1990, California provided a family of three persons with a maximum AFDC benefit of \$694 monthly, second only to that provided by Alaska.

When cash-out was fully implemented, San Diego County's Department of Social Services (DSS) issued a total value of about \$5.7 million in food stamp benefits monthly to some 53,000 households.¹ Approximately 83 percent of those households received AFDC. San Diego issues more than 90 percent of all its food stamp benefits by mail.

In 1988, San Diego County applied to the USDA for waivers of selected FSP regulations so that it could conduct a four and a half year demonstration program in which food stamp benefits would be issued in the form of checks.² The USDA approved San Diego County's request for waivers but stipulated that the transition to check issuance occur in two phases, to support an evaluation of the

¹The figures are for the month of September 1990.

²Under the policies implemented according to the approved waivers, all food stamp households in San Diego County currently receive their food stamp benefits in the form of checks. For households that also receive AFDC benefits, the AFDC and food stamp payments are combined in a single check. Information accompanying each check indicates how much of the check constitutes the AFDC benefit and how much constitutes the food stamp benefit.

effects of cash-out on recipient households, retail food merchants, program participation, and issuance costs. The first phase, *limited cash-out*, began in July 1989. Benefits were issued in the form of checks to 20 percent of the existing caseload and 20 percent of newly certified cases. The check recipients were selected randomly on the basis of the final digit in the sequential portion of their DSS case numbers. The second phase, *full cash-out*, began in September 1990. Check issuance was expanded to the entire existing caseload and all new cases.

E. OVERVIEW OF THE REPORT

Chapter II of the report sets the context for the subsequent analysis by discussing how food stamps in San Diego County were issued under the coupon system and how they are currently issued under the check-based system. The next two chapters then examine the effects of cash-out on administrative costs (Chapter III) and on issuance system losses (Chapter IV). Chapter V provides additional insight into these issues by reporting the results of a series of focus groups with San Diego County caseworkers to obtain their perceptions of the demonstration and its effects. Chapter VI examines the effects of cash-out on program participation. Chapter VII discusses the impact of cash-out on the store operations of retailers. And Chapter VIII examines the effects on store sales. The check-cashing policies and experiences of retailers are examined in Chapter IX, and Chapter X discusses the preferences of retailers regarding coupons and checks. Chapter XI presents a summary of the findings and the conclusions of the study. Appendix A describes how the demonstration was implemented. Appendixes B, C, and D provide additional information on the data presented in the text on costs, issuance losses, and program participation, respectively. Appendixes E, F, and G present additional methodological material related to the retailer analysis.

II. CHANGES IN ISSUANCE PROCEDURES UNDER CASH-OUT

Understanding the impacts of the cash-out demonstration first requires an understanding of the issuance system used in San Diego County before cash-out and the new system set up under the demonstration policies. This chapter describes these systems, based on documentation supplied by the San Diego Department of Social Services (DSS), interviews with San Diego County issuance staff, and interviews with their supervisors.

A. COUPON SYSTEM PROCEDURES

Before cash-out, San Diego County used a direct-mail coupon issuance system in which a centralized county mailing facility sent most Food Stamp Program participants their coupons by mail. In certain circumstances, however, participants received their coupons in person at local food stamp offices.

1. Food Stamp Issuance Center

Before the demonstration, the Food Stamp Issuance Center was the DSS administration unit with primary responsibility for issuing benefits. This unit ordered coupons from FNS as necessary and managed the county's coupon inventory, placed food coupons in envelopes and sent them to households, responded to problems with returned or lost coupons, supervised the issuance activities of the local offices, and complied with federal reporting requirements governing issuance. Just before the start of partial cash-out, the unit was staffed by approximately 13 full-time-equivalent personnel.

Under the coupon system, the issuance cycle for a given month started several days before the first of the month, when a computer program run on the welfare system's Case Data System identified households eligible to receive benefits in that month. The program produced a master list of eligible households and also printed address sheets, which were inserted into window envelopes along with

the coupons. Besides supplying address information, these sheets indicated the denominations of coupon books to be included in each envelope.

The coupons were placed in the envelopes manually. This work was performed and the envelopes were mailed throughout the month, to allow for a relatively even workflow. If, during the month, a caseworker in a local office became aware that a participant was not eligible to receive coupons or that his or her address had changed, the caseworker could telephone the Issuance Center to stop the coupons from being sent, if they were not already in the mail.

Both regular first-class mail and certified mail were used to send coupons to households. Coupons were sent by certified mail to certain ZIP code areas with high rates of mail losses. In addition, a household's benefits were sent by certified mail if within the previous six months the household had reported that benefits had been lost in the mail and required a replacement issuance. Overall, approximately 60 percent of the coupon issuances were sent by certified mail.

Any coupon envelope not deliverable by the post office due to an incorrect address or for some other reason was returned to the Issuance Center. The Issuance Center then notified the relevant caseworker and waited for instructions on how to proceed.

Although most issuances were initiated by the computer run before the first of the month, additional computer runs throughout the month generated a small number of additional issuances. The basic procedures for these additional issuances were the same as those for the initial computer run.

2. Local Office Coupon Issuance

Local office personnel were involved in coupon issuance in several special circumstances--to deal with issuance problems, make issuances to households that needed immediate assistance, and make issuances to homeless program participants.

Dealing with Issuance Problems. In general, coupon issuance problems became apparent in two ways: the post office returned a mailed issuance to the Food Stamp Issuance Center, and/or the

participant called his or her caseworker to report not having received the benefits. In either situation, it was the caseworker's responsibility to identify the source of the problem and determine the correct course of action.

Incorrect addresses were a frequent problem, either because a household had moved or for some other reason. If the benefits were returned to the Food Stamp Issuance Center, the household had two, or in some cases three, choices. First, the coupons could be remailed. Second, the benefits could be picked up in person at a distribution center located at the edge of the downtown area of the city. Third, in some instances (particularly at offices located far from the downtown area), households could request that the original benefits be canceled and then reissued at a local office (as described in the next subsection).

When coupons were reportedly lost in the mail, DSS procedures required that the household wait at least five working days after the mailing date before the coupons were replaced. If the coupons had been sent by regular mail, the participant was required to go to the local office and fill out an affidavit to affirm not having received the benefits. The caseworker then sent an authorization to the Food Stamp Issuance Center to issue replacement benefits. If the missing issuance had been sent by certified mail, the post office was asked for the signed receipt. If a signed receipt was available, the caseworker asked the participant to come in and submit a series of signatures that were then compared with the signature on the mailing receipt. After comparing the signatures, the caseworker authorized that the replacement coupons be issued or initiated a fraud investigation, as appropriate.

Immediate-Needs Issuance. AFDC and food stamp applications that meet certain criteria are classified as "immediate needs" cases. These cases include (but are not necessarily limited to) all cases that meet the Food Stamp Program's expedited service requirements. To expedite issuing FSP benefits to these new cases, the local welfare office makes the issuances, rather than the centralized county facility. Under the coupon system, the eligibility worker identified an immediate-needs case

and then filled out an authorization form, which was then transmitted to a clerical unit in the local office. There, a clerical unit worker transferred the relevant information onto both a voucher and a log, and obtained the appropriate amount of coupons from the office's inventory. A second member of the clerical unit then brought the coupons to the participant, who was waiting in the lobby of the office, and had the participant sign a receipt.

Issuances to Homeless Households. Homeless participants were allowed to pick up coupons at their local welfare offices. One of two systems was used to make these issuances. At some offices, the participant came in and met briefly with his or her caseworker, who checked whether the person was still eligible and then authorized an immediate-needs issuance, using the procedures described in the previous paragraph.

At other local offices, homeless participants received benefits prepared by the central county mail issuance facility and sent to the local office. In general, clerical workers issued these benefits to homeless participants when they came in to pick up their allotments.

B. CHECK ISSUANCE PROCEDURES

The system used to issue food stamp benefits by check is essentially the same as for most other cash assistance programs run by DSS, the most important of which is the AFDC program. For the approximately 83 percent of food stamp households that also receive AFDC, the benefits are combined in a single check.

As with the coupon issuance system, most check benefits are issued centrally by mail, but some issuances are also made at local offices.

1. County-Level Issuances

Most of the county-level check issuances for a given month are made at the start of the month. However, some issuances are made throughout the month, to provide assistance to new cases and to

adjust previous issuances as necessary. The processes for performing this work are described in this section.

Fiscal Month End Process. In preparation for issuances that are made at the start of a month, a computer program is run on the county's Case Data System database five days before the first of the month. This program identifies households eligible for AFDC and/or for food stamp check issuances for the coming month. Automated equipment prints the checks and inserts them into envelopes. When appropriate, both AFDC benefits and food stamp benefits are combined in a single check. The checks are then stored until authorization is received from the DSS to mail them. Checks are printed and mailed by the Auditors' Mail Room, a work unit that is part of another county administrative unit. When the checks are printed, the Warrant Control Unit in DSS receives a list of the issuances and reviews them for accuracy.

If a program participant's eligibility changes while checks are being prepared, his or her caseworker notifies the Warrant Control Unit, which then instructs the Auditors' Mail Room not to mail the check.

The Calendar Month End and Other Issuances. Another monthly process begins at the start of the month and generates checks for cases that have become eligible in the five days after the fiscal month end process started. In addition, a daily check-generating process continues throughout the month to accommodate a small number of issuances necessary to correct problems or to provide benefits to new cases. The same procedures used for the fiscal month end issuances are used to make all other issuances.

Other Responsibilities of the Warrant Control Unit. Check issuances that are returned by mail are sent to the Warrant Control Unit, which then notifies the relevant caseworker. If an issuance is correct, it is either remailed by the Warrant Control Unit or held for pickup by the participant.

The Warrant Control Unit also monitors issuances by local offices. If forgery is suspected, unit personnel forward the relevant information to the County Sheriff's Department for examination. The unit also complies with federal and state reporting requirements governing issuance.

2. Local Office Issuances

As with the coupon system, the check system uses procedures to make issuances to immediate-needs and homeless participants directly at the local offices. This procedure is similar to the one for immediate-needs coupon issuances. After an eligibility worker authorizes the issuance, a clerical worker types the relevant information onto a check, which is then taken to the participant in the lobby. The clerical worker also records the transaction on a log sheet.

C. SUMMARY

Overall, the procedures used previously in San Diego to issue coupons are similar in many respects to those currently used to issue checks. Both are based primarily on computer-generated lists of eligible households as of the start of the month; both send most participants their benefits through the mail; both include procedures for making issuances in local offices when necessary for timeliness; and both use a combination of local office and central office procedures to deal with issuance problems. But two major differences should be noted: (1) unlike the coupon system, the check system does not involve an extensive manual process for preparing benefits for mailing; and (2) under the check system, food stamps are issued with AFDC payments in a single check.

III. THE IMPACT OF CASH-OUT ON ADMINISTRATIVE COSTS

The possibility of reducing administrative costs has been a major impetus behind cash-out. Proponents of cash-out believe that check issuance can streamline program operations and reduce costs by providing a more efficient way to assist households. They have also pointed out the potential savings from combining food stamp checks with checks for other cash assistance programs, such as AFDC.

This chapter examines the extent to which the San Diego demonstration generated administrative cost savings. Section A describes the research strategy used in this analysis. Section B then compares administrative costs under the coupon and check issuance systems. This information is then used in Section C to estimate the cost savings from the switch to cash-out.

Through Section C, the focus is on county-level costs. Section D broadens the perspective to examine the state and federal costs associated with the coupon system.

A. RESEARCH STRATEGY FOR EXAMINING LOCAL COSTS

At the beginning of the demonstration, San Diego County developed detailed estimates of the per-issuance costs associated with coupon and check issuance. These estimates were based on extensive information drawn from the accounting systems used to claim cost reimbursements under the food stamp and AFDC programs, together with estimates of the savings in employee hours that might be associated with using different issuance methods.

The research approach used in this evaluation builds on these San Diego County estimates. During the period when 20 percent cash-out was in effect and the coupon system was still being used, MPR senior staff interviewed supervisors of all of the categories of employees involved in the check and coupon systems. These interviews produced descriptions of the issuance processes used in both systems and allowed MPR staff to obtain estimates of the average amount of staff time required for each process. Each of the eight local district offices then operating in the county was visited, and

approximately 25 interviews of staff supervisors were performed. Another 10 staff supervisors in four offices were interviewed in December 1991, when full cash-out was in effect, to confirm earlier information and to determine how the change to full cash-out had affected the processes observed earlier. On the basis of the information from these interviews, MPR examined the reasonableness of the cost estimates derived by the county and, in some instances, adjusted the county's estimates on the basis of the interview data.¹

During the demonstration, MPR periodically requested and received from DSS current information on issuance costs. This made it possible to update the information originally compiled by DSS.

Using the DSS information and estimated time adjustments based on MPR's fieldwork, staff derived per-issuance cost estimates for the check and coupon systems. These cost estimates are presented in Section B. The per-issuance cost estimates from Section B are then used in Section C to develop overall estimates of cost savings from the introduction of cash-out. These estimates are also discussed in the context of observed changes in major cost items.²

It should be noted that, because the processes for issuing food stamp and AFDC checks are combined, and because the checks themselves are combined for the majority of food stamp households who receive both types of assistance, it is not possible to observe issuance costs for food stamp checks separately. Rather, the available data on the costs of check issuance are based either on assistance checks issued for other programs (primarily the AFDC program) during the predemonstration period or on assistance checks issued jointly during the demonstration period.

¹These adjustments are discussed in Appendix B.

²An alternative strategy for examining changes in issuance costs would have been to observe changes in the "Issuance" category of costs compiled by the county and state for reporting to FNS on the FNS-269 cost reporting forms. However, not all costs that are actually associated with the issuance process in San Diego are reported on these forms. Before cash-out, only the costs associated with the Food Stamp Issuance Center and postage were included. Since cash-out, essentially no costs have been included in this category. Thus, the analysis had to focus on actual unit costs, based on staff and other resource use, rather than on the aggregate reported data.

B. COSTS OF COUPON AND CHECK ISSUANCE

Table III.1 displays the estimated per-issuance costs of coupons and checks.³ Labor costs, which include employee benefits, are presented at the top of the table; other direct costs are presented in the second part.

1. Labor Costs

Central County Staff. One of the largest single costs involved in coupon issuance was the cost of the Food Stamp Issuance Center, the central county administrative unit that inserted coupons into envelopes and prepared them for mailing. The center also dealt with issuance problems and performed monitoring activities associated with coupon issuance.

The food stamp coupon issuance process in San Diego County was a highly labor-intensive activity. Much of this work was performed by central county DSS staff in the Food Stamp Issuance Center. (The activities of this unit were described in more detail in Chapter II.) During the period just prior to the demonstration, this work was performed by a staff of 13 full-time-equivalent personnel, at a cost of approximately 53 cents per coupon issuance (as shown in the table).

The Warrant Control Unit, a county-level central administrative unit, oversees check issuances for assistance programs operated by DSS, including the FSP, the AFDC program, and General Relief. The activities performed by this unit to monitor and resolve problems with check issuance are similar to those performed by the Food Stamp Issuance Center. However, it does not actually insert benefits into envelopes and prepare them for mailing, nor does it monitor a large physical inventory of negotiable coupons. Thus, this unit is considerably smaller than the Food Stamp Issuance Center, particularly relative to its issuance volume. Even though its issuance volume was roughly twice that handled by the Food Stamp Issuance Center, it required only 7.5 full-time-equivalent employees

³Table III.1 is based on cost information supplied by San Diego County and on information from interviews with DSS staff performed by senior MPR research staff. Details on how the items in the table were derived are presented in Appendix B.

TABLE III.1

PER-ISSUANCE COSTS OF CHECKS AND COUPONS AS OF JUNE 1989

	Coupons	Checks
Labor ^a		
Central county DSS staff	\$.53	\$.13
DSS local office caseworker staff	\$.50	\$.32
DSS local office clerical staff	\$.06	\$.02
Other Costs		
Postage	\$1.00	\$.21
Paper, printing, envelopes, etc.	\$.02	\$.03
Space for central office staff	\$.08	\$.02
Mailing and reconciliation costs	--	\$.14
Bank charges	--	\$.15
Armored car, storage	\$.02	--
Total Costs per Issuance	\$2.21	\$1.02

SOURCE: Information on costs provided by San Diego County. Appendix B provides details on how the table entries were derived.

^aIncludes salary and fringe benefit costs.

(compared with 13 for the center) in the period just before the demonstration. The unit's per-issuance cost at that time was approximately 13 cents.

Local Office Staff. As described in Chapter II, issuance-related activities are also performed by each of the nine local welfare offices in San Diego County.⁴ Because caseworker staff are typically the program participant's point of contact with the system, they get involved in issuance problems. Both caseworker and clerical staff at local offices may also become involved in immediate-needs issuances.

We estimate that these issuance-related activities require an average of about 50 cents of caseworker time for coupon issuances and 32 cents for check issuances. The corresponding costs for clerical workers are 6 cents and 2 cents for coupons and checks, respectively. The lower average cost of caseworker time for check issuance reflects a lower incidence of issuance problems with checks. The lower average cost of clerical staff under check issuance reflects the fact that the average time required for an immediate-needs check issuance is somewhat less than is required for a coupon issuance, due to somewhat less paperwork.

2. Other Direct Costs

The main nonlabor cost related to coupon issuance was postage. As shown in Table III.1, the average postage cost for coupons was one dollar per issuance. In part, this relatively high cost reflects the fact that approximately 60 percent of the coupon issuances were sent by certified mail. In addition, even when coupons were sent by regular mail, the weight of the coupons often made it necessary to use extra postage.

Postage for checks during the predemonstration period reflected the minimum first-class postage rate, reduced further by a discount given by the post office for presorting by ZIP code. The discounted rate was 21 cents per issuance.

⁴Eight local offices were operating when the demonstration began; a ninth was subsequently opened.

Both the coupon and the check issuance systems entail costs for printing and paper supplies, although these costs were very small (2 to 3 cents per issuance in both systems).

Another relatively small cost for each type of issuance was the cost of office space occupied by the central county units involved in issuance. This cost was estimated at 8 cents per issuance for coupons and 2 cents for checks.

Two of the nonlabor costs shown in the table are relevant only to checks. DSS was charged approximately 14 cents per issuance by a different branch of the county government for the costs of printing the checks, using automated equipment to insert them into envelopes, mailing the checks, and then later reconciling the checks after they were cleared by the bank.⁵ Second, bank charges on the checks were 15 cents each.

Finally, as shown in the table, the coupon system involved costs associated with the security of the inventory, including armored-car services and storage facilities. These costs were relatively small, amounting to about 3 cents per issuance.

3. Summary

As shown in the table, the cost difference between check issuance and coupon issuance is substantial. Checks are estimated to require just over \$1.00 per issuance, while the cost of a coupon issuance was more than twice that amount (\$2.21). The estimated difference in issuance costs between the two methods is \$1.19. The main differences involved (1) the cost of central office staff time, including the personnel involved in stuffing envelopes for coupon issuance, and (2) postage.

⁵Mailing costs for coupons are included in the staff costs of the Food Stamp Issuance Center: printing costs for coupons are federal-level costs and are discussed in a separate section.

C. ADMINISTRATIVE COST SAVINGS FROM CASH-OUT

This section draws on the per-issuance cost estimates presented in Section B to estimate the overall issuance cost savings under the demonstration. Two factors enabled San Diego to achieve administrative cost savings from cash-out:

- The total number of separate benefit issuances declined substantially, because food stamp benefits and AFDC benefits are now usually combined in a single check.
- In the relatively small number of cases where food stamp issuance was not combined with another issuance, the per-issuance cost of checks is still significantly lower than that of coupons.

1. Potential Savings by Case Category

Most San Diego food stamp recipients also receive AFDC, and their AFDC and food stamp benefits are now combined in a single check. On the basis of interviews with issuance personnel, it appears that the costs of issuing combined food stamp and AFDC checks to these recipients are not greater than the costs of issuing AFDC checks alone. For these cases, the savings from cash-out are essentially the entire average cost of food stamp coupon issuance, which is estimated to be \$2.21 per issuance. As shown in Table III.2, these figures yield a total savings of approximately \$99,000 per month, based on approximate caseloads as of the conversion to full cash-out.

For the remaining food stamp cases whose checks contain only food stamp benefits, the net savings is the difference in the costs for the two types of issuance, estimated to be approximately \$1.19. For these cases, total monthly savings are on the order of \$12,000.

Overall administrative savings are estimated to be approximately \$111,000 monthly, or \$1.3 million annually. This represents an average savings of approximately \$2.02 per issuance, which is 91 percent of the total county-level issuance cost of \$2.21.⁶

⁶The \$2.02 savings per issuance estimate represents the average over all cases, including those associated with the AFDC issuance and those that are not. Equivalently, it can be viewed as the weighted average of the savings for cases with and without AFDC issuance, respectively, where the weights are based on the relative number of the two types of cases.

TABLE III.2
LOCAL MONTHLY ADMINISTRATIVE COST SAVINGS FROM
CASH-OUT, BY TYPE OF CASE
(Based on Caseload as of September 1990)

Type of Case	Approximate Number of Issuances ^a	Savings per Issuance ^b	Total Savings
Cases in Which Food Stamp and AFDC Payments Were Combined ^a	45,000	\$2.21	\$99,450
Cases in Which a Separate Food Stamp Check Was Issued	10,000	\$1.19	\$11,900
Total	55,000	\$2.02	\$111,350

^aBased on issuance data supplied by San Diego County in a transmittal dated 1/23/93.

^bBased on Table III.1. The \$2.02 savings per issuance represents the average over all cases, including those associated with the AFDC issuance and those that are not. Equivalently, it can be viewed as the weighted average of the savings for cases with and without AFDC issuances, respectively, where the weights are based on the relative number of the two types of cases.

2. Potential Savings by Type of Administrative Cost

The main types of administrative costs that have been eliminated are another perspective on the cost savings of cash-out. One large component of the cost reduction is the elimination of labor costs associated with the Food Stamp Issuance Center. As shown in Table III.3, eliminating this unit generated savings on the order of \$35,500 monthly. Postage savings were approximately \$53,000, even after accounting for the increased postage required for food-stamp-only checks. Most of the remaining savings come from reductions in local office caseworker and clerical personnel time. As noted earlier, these savings are due to the smaller number of total issuances, the smaller number of issuance problems associated with checks, and the reduction in clerical time associated with issuing immediate-needs benefits in the form of checks rather than coupons. These savings should be regarded as *potential* savings. It is not possible to observe fully whether the reduction in time actually generated staffing reductions, or whether staff were shifted to other work activities.

3. Changes in Actual Resources Used for Issuance

The discussion thus far has estimated *potential* changes in overall costs based on the unit costs associated with coupon and check issuances. It is also important to examine *actual* changes in the resources devoted to issuance activities during the period covered by the demonstration. This section examines these actual changes. In some instances, we are able to provide quantitative estimates of changes in the relevant resource uses from cash-out; in other instances, only qualitative estimates are available.

The most important change in actual resource use during the demonstration period was the disbanding of the Food Stamp Issuance Center after full cash-out. Thus, the potential savings associated with these staff were fully realized.

During the same period, Warrant Control Unit staffing increased from 7.5 to 8.5 full-time equivalents. This increase is within the range of what was expected, given the greater number of

TABLE III.3
MONTHLY ADMINISTRATIVE COST SAVINGS FROM CASH-OUT,
BY SOURCE OF SAVINGS

Source of Savings	Savings ^c
Elimination of Food Stamp Issuance Center ^a	\$33,550
Reduced Postage ^b	\$52,900
Local Office Staff ^b	\$27,400
Total	\$113,850

^aBased on multiplying the relevant staff and space cost entries in Table III.1 by 55,000 (the total number of issuances).

^bComputed as 55,000 times the relevant items in the "coupon" column of Table III.1 minus 10,000 times the relevant item in the "check" column.

^cThe total shown in this table slightly exceeds the total net savings shown in Table III.2 because of minor offsetting costs, such as the 15 cent bank charge for checks.

check issuances monitored by the unit under cash-out and the greater complexity of check issuances that included food stamp and AFDC benefits.⁷

In the local welfare offices, staffing levels for clerical workers who deal with immediate-needs issuances either declined slightly or remained the same. Even in offices where staffing levels remained the same, supervisors reported that cash-out freed up time for other activities. Similarly, caseworkers and their supervisors indicated that cash-out saved them time for other activities, such as handling the increase in caseloads during the period (see Chapter VI).

4. Limitations on the Generalizability of the Results

In considering the implications of these results, the reader should note that San Diego County is quite different in some ways from the United States as a whole. Most important for the current analysis, San Diego's food stamp caseload contains a very high proportion of AFDC cases (83 percent), compared with a national rate of approximately 42 percent.⁸ As we have seen, the greatest cash-out savings in San Diego come from joint AFDC/food stamp cases in which the cash food stamp benefit was combined with the AFDC payment. If there were fewer AFDC cases, the savings would be lower.

Nevertheless, the substantial cost differential between coupon issuance and check issuance would still guarantee substantial cost savings from cash-out, even if the proportion of joint food

⁷Analysis of changes in the size of the Warrant Control Unit is complicated somewhat by a major change in check issuance procedures just prior to the start of partial cash-out. At that time, the county began issuing AFDC benefits once monthly rather than twice monthly. The shift to cash-out might have had a somewhat larger impact on this unit's staffing than was actually observed directly, because it is possible that the size of the Warrant Control Unit might have decreased somewhat in the absence of cash-out. Nevertheless, the conclusion that the staffing requirements for this unit declined only modestly at most, compared with a reduction of 13 full-time equivalents experienced in the Food Stamp Issuance Center, remains correct.

⁸Two main factors account for the high proportion of AFDC households in the San Diego food stamp caseload. First, SSI recipients in California have their food stamp benefits added to their SSI benefits. Most of the poor elderly in San Diego who would otherwise be included in the food stamp caseload are not included. Second, California's relatively generous AFDC eligibility criteria make some households eligible for AFDC that would not be eligible in most other states.

stamp/AFDC cases were not as high. Indeed, even under the extreme assumption of no joint cases (in which only the *form* and not the *total number* of issuances would change), the estimated monthly savings would still be approximately \$65,000.⁹

5. Comparisons with Other Demonstrations

Reductions in the state and local administrative costs associated with issuance were also observed in two other cash-out demonstrations--the Alabama pure cash-out demonstration, and the Washington State Family Independence Project evaluation. (The effects of the Alabama ASSETS evaluation on administrative costs have not yet been estimated.)

The Alabama pure cash-out study estimated potential reductions of approximately 51 cents in state and local issuance costs,¹⁰ considerably lower than the corresponding \$2.02 average cost reduction for San Diego. These lower savings in Alabama are due to differences in both caseloads and issuance procedures. As discussed earlier, savings per case in San Diego were greatest for AFDC cases, where the AFDC and food stamp benefits could be combined in a single check. However, the proportion of AFDC recipients in the caseload is much smaller in Alabama than in San Diego. Furthermore, in its pure cash-out demonstration, Alabama chose to issue separate food stamp and AFDC checks, even for joint cases. Thus, many of the potential savings in San Diego from combining the checks were not realized fully. In addition, the estimated labor costs per check issued were much higher in Alabama than in San Diego (71 cents versus 13 cents). This difference may reflect the fact that the Alabama demonstration was a relatively small-scale intervention (about 2,000 cases) conducted for a short period of time (8 months). These factors may have precluded issuing the checks efficiently.

⁹Calculated as the cost differential between check and coupon issuance in Table III.1 times the total number of issuances.

¹⁰Fraker et al. (1992).

The Washington State evaluation estimated a per-issuance cost reduction of \$1.84, which is very similar to the \$2.02 San Diego estimate (Young and Yudd 1993).¹¹ The similarity may be due at least in part to two features common to the San Diego and Washington State demonstrations: (1) the caseloads in both consisted predominantly of AFDC cases,¹² and (2) the issuance procedures of both demonstrations entailed combining the AFDC and food stamp checks.

Overall, the evidence from the three demonstrations strongly suggests that cash-out can generate significant administrative cost savings. However, the magnitude of the savings depends on caseload characteristics, the issuance procedures used prior to cash-out, and the mechanisms used to implement cash-out.

D. STATE- AND NATIONAL-LEVEL COSTS

Thus far, the discussion has focused on county-level issuance costs, because the majority of issuance costs are incurred at this level. However, certain issuance-related functions are also performed at the state and Federal levels of government, and it is important that their costs be examined to yield a full picture of the potential impacts of cash-out.

Essentially no state-level costs are incurred for coupon issuance in California, because counties order coupons directly from the Federal government. Under cash-out, however, the Federal government channeled demonstration funds through the state government to the county, which required a modest level of state government resources.¹³ In particular, the state estimated that approximately \$3,800 of staff time annually was spent on transferring money from the Federal

¹¹It is possible that the actual savings in Washington State may be somewhat higher than the summary estimate reported in the cited report. In particular, the reported number may include some offsetting costs that, as noted on p. 31 of the report, may not be directly involved in the issuance function. Moreover, it is not clear whether the calculations included certain cost savings, including postage and fees to agencies that are involved in coupon issuance.

¹²Indeed, Washington State included *only* AFDC cases.

¹³Both the State and the county would have preferred that the government convey funds for cash-out issuances directly to the county. FNS preferred that these funds, as with reimbursements for other types of food stamp expenses, such as administrative costs, flow through the state.

government to San Diego County for covering the cash-out portion of benefit checks. This amount, which reflects 100 hours of accounting staff time, is less than one cent per check issuance.¹⁴

At the Federal level, issuance procedures under the coupon system begin with printing the food stamp coupons. In addition, costs are associated with coupon storage and transportation prior to distribution. At the other end of the distribution and redemption process, the Department of Agriculture reimburses the Federal Reserve System for redeeming the coupons from merchants and for performing coupon reconciliation and reporting functions. Substantial resources are also involved in authorizing retail stores to participate in the program and in monitoring the adherence of retailers to program regulations.

These costs are summarized in Table III.4. The two largest Federal cost components are printing (18 cents per issuance) and payments to the Federal Reserve System (17 cents per issuance). Managing retailer participation in the program accounts for another 14 cents per issuance, and coupon storage and transportation require approximately 2 cents. Total estimated Federal costs are on the order of 51 cents per coupon issuance. With full cash-out, all these costs could be eliminated.

E. SUMMARY

Table III.5 summarizes the estimated potential cost savings across levels of government. After state and Federal costs are considered, we estimate that the total savings are approximately \$2.52 per issuance, or about \$139,000 overall monthly, for the caseload receiving food stamps at the start of full cash-out.

All of the potential Federal savings and half of the county savings incurred at the county level accrue to the Federal government under current cost-sharing rules (Table III.6). This represents approximately \$1.52. Of the remaining savings, approximately 30 cents per issuance accrue to the county and 70 cents to the state.

¹⁴Based on an 11/12/91 memo from the California State Department of Social Services, the project has required about 100 hours of State-level accounting services annually at a cost of \$37.96 per hour, including fringe benefits.

TABLE III.4
FEDERAL ISSUANCE-RELATED COSTS FOR COUPONS, PER ISSUANCE^a

Cost Category	Amount per Issuance
Coupon printing	\$.18
Coupon storage and transportation	\$.02
Federal Reserve fees	\$.17
Authorizing and monitoring retail stores	\$.14
Total	\$.51

^aSee Fraker et al. (1992), Table XI.5. The estimates are inflation-adjusted estimates drawn from an evaluation of the Electronic Benefit Transfer Demonstration conducted in Reading, Pennsylvania, as reported in Kirlin et al. (1990).

TABLE III.5
POTENTIAL COST SAVINGS FROM CASH-OUT, BY LEVEL OF
GOVERNMENT THAT INCURRED THE COST

Level of Government	Per Issuance	Total Savings per Month ^a
Local ^b	\$2.02	\$111,100
State ^c	(\$0.01)	(\$550)
Federal ^c	\$.51	\$28,050
Total	\$2.52	\$138,600

NOTE: Parentheses indicate costs rather than savings.

^aThese figures are based on the size of the San Diego caseload at the start of full cash-out.

^bSee Table III.2, footnote b.

^cSee Table III.4, footnote b.

TABLE III.6
SUMMARY OF POTENTIAL COST SAVINGS

Where Costs Were Incurred	Potential Cost Savings per Issuance	Level of Government Realizing the Savings		
		County	State	Federal
County Level	\$2.02	\$30	\$71	\$1.01
State Level	(.01)	--	(.01)	--
Federal Level	.51	--	--	.51
Total	2.52	.30	.70	1.52

NOTE: Parentheses indicate costs rather than savings.

IV. IMPACTS OF CASH-OUT ON THE VULNERABILITY OF THE ISSUANCE SYSTEM TO FRAUD AND ERROR

Another important administrative outcome that may be affected by cash-out is the vulnerability of the issuance system to losses from fraud and error. At the outset of the demonstration, San Diego officials expected that checks would reduce issuance losses substantially because they could be accounted for and tracked more easily than could coupons. This chapter examines the extent to which cash-out reduced issuance system losses. The overall conclusion is that cash-out reduced fraudulent or erroneous issuances substantially.

A. RESEARCH DESIGN

The basic approach to analyzing vulnerabilities with the issuance system involves pre- to postdemonstration comparisons of losses under coupons and cash-out, where losses include the value of coupons reported lost or stolen in the mail and the value of checks cashed fraudulently. One external factor that might have affected total issuance system losses is the rapidly increasing caseloads in the period covered by the analysis.¹ Parts of the analyses in this chapter are on a per-issuance basis to control for this factor. When this factor is accounted for, changes in issuance system losses from before to after cash-out provide estimates of the effects of switching to checks.²

The following sections identify the significant types of losses that occurred under the two issuance systems and provide estimates of their magnitude. The analysis is based on administrative data supplied by DSS.

¹Changes in caseloads are discussed in detail in Chapter VI.

²Average benefit levels rose somewhat in the period due to inflation adjustments. For simplicity, we ignore these changes, which are too small to have had a significant effect on the results reported in the text.

B. VULNERABILITIES UNDER COUPONS

As described earlier, the predemonstration issuance process in San Diego County consisted largely of mailing coupons directly to households. While some issuances were made in person at local welfare offices, more than 90 percent were by mail.

Issuing coupons directly by mail has important advantages--it keeps issuance costs relatively low, and is convenient for households. Yet direct mailing carries substantial risks. In particular, the coupons can be:

- Stolen in the mail
- Stolen from mailboxes
- Received by participants who then report not having received them

In each case, the Food Stamp Program is obligated to replace the missing coupons, unless they can be located, or fraud can be proved. Assuming that the "missing" coupons are negotiated, their value is a financial loss to the program.

Although about 60 percent of San Diego's direct-mail coupons in the predemonstration period were made by certified mail, substantial losses occurred during the mailing process. As shown in Table IV.1, the replacement of coupons reported lost or stolen and not returned to the county averaged about \$22,000 in the pre-cash-out period and about \$27,000 in the partial cash-out period.³ The latter figure represents approximately one half of one percent of the total value of issuances, or about 59 cents per case monthly, on average.

Data are not available on the percentage of these losses attributable directly to theft or fraud. Yet, as discussed in Chapter V, many DSS staff believe that fraud was a significant determinant of these losses.

³It is not known why coupon losses were somewhat higher in the partial cash-out period.

TABLE IV.1
ISSUANCE LOSSES: COUPONS AND CASH-OUT

	Monthly Replacements for Coupons Lost or Stolen in the Mail and Not Returned		Monthly Value of Checks Negotiated Fraudulently	
	Monthly Average	Per Coupon Issuance	Monthly Average	Per Check Issuance
Pre-Cash-Out (January-July 1989)	\$22,397	\$0.47	n.a.	n.a.
Partial Cash-Out (August 1989-August 1990)	\$26,840	\$0.59	\$28	<\$.01
Full Cash-Out (September 1990-June 1991)	n.a.	n.a.	\$1,036	\$0.02

SOURCE: Appendix Table C.1.

NOTE: The exact numbers are only approximations and will change when more information is obtained from San Diego.

n.a. = not applicable.

Coupon issuance systems are also vulnerable to losses from inventory. In particular, coupons can be lost or stolen during storage or handling at facilities where they are prepared for mailing or where they are provided directly to households. As shown in Appendix Table C.1, however, such losses were not a significant factor in San Diego in the pre-cash-out period. With the exception of one month, when a \$3,137 theft occurred, these losses were much less than \$100 monthly and were sometimes nonexistent during the 6 months prior to partial cash-out and the 14 months of partial cash-out.

C. VULNERABILITIES UNDER CASH-OUT

Check-issued benefits can also be lost or stolen in the mail. Yet, because identification is usually required to cash a check, transacting the missing issuances is much more difficult. Moreover, the county can place a stop-payment order on checks reported lost. For these reasons, check-issuance systems are generally believed to be less vulnerable to losses.

Another difference between the cash-out and the coupon systems is that financial losses under cash-out are not usually borne by the public sector, as are financial losses from lost or stolen coupons. In general, the institution cashing a fraudulent check must assume liability for the loss, not the agency writing the check.

As shown in Table IV.1, issuance losses under cash-out were quite low relative to those under the coupon system. In the 10 months of full cash-out, losses averaged approximately \$1,000 per month--about 2 cents per issuance.⁴

⁴As detailed in Appendix Table C.1, the recorded value of fraudulently cashed food stamp checks was less than \$1,000 in all but two months of the period discussed in the text. In those two months--January and March 1991--reported losses were about \$2,700 and \$5,600, respectively. The clustering of reported losses in these two months may be due to the uneven timing with which the San Diego County Sheriff's Department processed cases of suspected forgery.

D. VULNERABILITIES OF PARTICIPANTS TO LOSSES

Cash-out can also affect the vulnerability of FSP participants to benefit loss or theft after receipt. Under federal regulations, coupons that are lost or stolen after the participant receives them cannot be replaced. If a check is lost or stolen, it can be replaced as long as it has not been endorsed. Of course, after the check is cashed, the hard cash may be vulnerable to loss or theft.

Because households do not generally report benefit losses and thefts to DSS, no information is available to assess the magnitude of these losses. For the small number of households who have checking accounts into which food stamp checks can be deposited, it seems likely that the check-based system provides more security. Yet most households cash their checks at stores, banks, or check-cashing agencies.⁵ No data are available on the incidence of theft after checks have been cashed at these institutions.

E. CONCLUSIONS

The results of the San Diego cash-out demonstration strongly support the view that switching to check issuance can reduce the vulnerability of the FSP to issuance losses. In the pre-cash-out months, issuance system losses were on the order of \$22,000 monthly. In the months after the switch to full cash-out, losses fell to approximately \$1,000 monthly, despite a rapidly growing caseload for reasons not associated with the demonstration.⁶

In addition to reducing issuance losses substantially, cash-out also changed the locus of liability for the losses that were incurred. Coupons lost or stolen in the mail must be replaced, thus imposing costs on the public sector. In contrast, liability for losses from fraudulently cashed checks is incurred by the person or institution cashing the check.

⁵Ohls et al. (1992) discusses households check-cashing patterns, based on the household survey conducted for the project.

⁶See Chapter VI.

In assessing the generalizability of these results, the reader should note that San Diego County issued most of its coupon benefits directly by mail prior to cash-out. And because direct mail issuance is probably more vulnerable to theft or fraud than most over-the-counter systems, San Diego's mail-dominated issuance system may account in part for the large reductions in losses under cash-out. Even so, it is reasonable to conclude that cash-out has the potential to reduce issuance system losses significantly.

V. PERCEPTIONS OF CASEWORKER STAFF

DSS caseworkers, who serve as the main point of contact between program participants and the welfare system, provide an additional perspective on the effects of cash-out. As discussed earlier, the demonstration directly affected certain activities performed by these staff, particularly those associated with resolving issuance problems. In addition, from their frequent contacts with food stamp recipients, these personnel have much insight into how cash-out affected recipients.

This chapter discusses the effects of the demonstration from the perspective of three focus group sessions with caseworker staff in three different local food stamp offices in San Diego County. The focus groups were conducted by the study's project director and an assistant in December 1991, approximately 15 months after full cash-out had been in effect. Each focus group included approximately 10 line caseworkers who have daily contact with recipients. The sessions lasted between one and two hours. The meetings were recorded and later transcribed for this report.

The following discussion highlights the staff's opinions about three types of cash-out effects: impacts on workloads, impacts on participants, and impacts on the vulnerability of the issuance system to fraud and error.

A. EFFECTS ON WORKLOADS

Virtually all participants in the focus groups believed that check benefits freed up portions of their work time for other activities--primarily because cash-out reduced the number of issuance problems to be resolved. The following comments were typical:

"It's great. I think that one check . . . has really cut down a lot on the workload; really a lot on the phone calls."

"When we had coupons, you'd be getting calls all month long because of the staggered mailing. . . . I'd be working all month long on food stamps. Now, it's the first three or four days of the month."

"From a worker's point of view, I find that it's just so much simpler. I get less calls regarding replacement."

Workers also believed that checks made it easier to deal with reported problems, since the checks could be traced and accounted for more easily:

"If they didn't get [the check food stamp benefits], it's probably a reason we can punch on the screen and tell."

A majority of workers also believed that combining the AFDC payment and food stamp benefits in one check freed up their time, because clients did not require an explanation about how coupons could be used:

"I think it's easier when a worker is talking about benefits to a client if the worker and the client can have the benefit of using the same commodity of dollars and cents."

However, many workers believed that this advantage was at least partly offset by confusion about the breakdown between AFDC and food stamp benefits in the check. Although mailed benefits indicate how much comes from AFDC and how much from food stamps, many program participants apparently do not understand this information, and frequently express their confusion to caseworkers.

B. EFFECTS ON PROGRAM PARTICIPANTS

From their frequent contact with program participants, many caseworkers in the focus groups formed opinions about how cash-out had affected their specific caseload. One effect frequently mentioned was that program participants were learning to take budgetary responsibility for their own spending:

"What we want to try to do is give [clients] an independent approach to living rather than a dependent approach I think this was a step . . . towards the independent idea--making them make their own decisions."

"A few [clients] were scared, initially, that they weren't going to have enough money to be able to budget properly. . . . They didn't think they were capable enough to do it. I think that once they started handling their own money they found that they could do it. And it helped their self-esteem."

"Some of the clients I had were actually able to open up bank accounts and have a little left over."

Yet many focus group participants also believed that some households were using their food stamp benefits for housing expenses and for other, nonfood purposes.

"One of the things that you have to do--if their rent is more than 80 percent of their AFDC cash grant, then we have to send them out a form. . . . Invariably, they will tell us that they are using a portion of their food money for the rent."

"[Clients are] just like everyone else . . . going with cash and buying what they wanted. . . . You can buy toiletry items, or soap, or detergents. They feel that this way they can budget their money better."

Many participants also noted that cash-out made food stamp participation less stigmatic:

"Several of my clients also stated they were embarrassed using the coupons. They feel [cash-out makes it] easier going to the grocery store, because they're not looked down upon."

"They told me they were embarrassed to use food coupons in the store. One lady told me that she would go at night just before the stores closed--because, I guess, she was actually put down by people that weren't on assistance. So [cash-out] saved her embarrassment."

C. EFFECTS ON THE VULNERABILITIES OF THE ISSUANCE SYSTEM

Several workers believed that cash-out reduced the potential for losses and fraud, particularly in the mail:

"I've noticed . . . that I'm not getting any calls saying they didn't get their food stamps. . . . Since there's no way to trace stamps, it's like mailing cash in the mail. All we could do was just take a sworn statement from them and issue them another allotment. . . . I think the biggest benefit of this program is that it's cut way down on the fraud."

"I think [coupons] generated a certain amount of abuse . . . by the actual mailing of coupons to [clients]."

D. CONCLUSIONS

In general, most of the caseworker staff in the focus groups viewed cash-out favorably. Virtually all believed that cash-out reduced their workloads. In addition, many felt that cash-out helped households assume greater responsibility and reduced the vulnerability of the system to fraud.

VI. PARTICIPATION EFFECTS

The household survey conducted for the evaluation found that the majority of Food Stamp Program participants preferred cash-out to coupon issuance (Ohls et al. 1992). Thus, it is possible that cash-out increased program participation among those who would prefer to be issued benefits by check. Evaluating the potential effects of cash-out on the number of households that apply for and receive food stamps is important for assessing whether this issuance system would enable the program to channel benefits more effectively to its target population of low-income Americans. In addition, the implications of cash-out for program costs must capture the possible effects of cash-out on participation.

A. METHODOLOGY

To evaluate the effects of cash-out on participation, we compared changes in monthly Food Stamp Program participation data for San Diego with those for selected other California counties and with the total for the remaining California counties. Changes in participation could easily have been affected by factors *other* than cash-out, and these must be accounted for in the analysis. By examining participation not only in San Diego County but in other California counties as well, we are able to consider other possible effects at least partly.

For comparison, we selected three Southern California counties similar to San Diego along several dimensions that could affect food stamp participation. Because the economies of neighboring counties are likely to be similar and interdependent, we restricted our search for the comparison counties to those counties near San Diego. If cash-out issuance does not have an effect on participation, we would expect that food stamp participation in San Diego would not differ systematically from food stamp participation in the comparison counties.

Two of the three comparison counties used in the analysis are Riverside and Orange, both adjacent to San Diego. Both counties have a mixture of largely urban and suburban populations, as

does San Diego County.¹ The other comparison county we selected is Los Angeles, the largest metropolitan county in Southern California.

Our analysis examined the changes in total Food Stamp Program participation between July 1, 1988, and July 1, 1992. The analysis divided this time span into 12-month periods. Although full cash-out began in San Diego on September 1, 1990, we used July 1 as the start date in order to account for the possibility that publicity surrounding the start of cash-out might have caused some households to enter the program in the preceding months.² Our observation extends back to 1988 to provide a one-year predemonstration baseline.

We also examined caseload changes in greater detail by plotting the caseloads in monthly intervals over the same time period. In this graphical analysis, the monthly caseload data are normalized to show percentage changes in caseloads, with the start date of the full-scale demonstration (September 1, 1990) as the reference point. (The detailed monthly data on which the analysis is based are presented in Appendix D.)

Finally, we examined the relationship between food stamp use and unemployment by county. We first examined unemployment trends in each of the counties between July 1988 and July 1992. We then compared trends in monthly food stamp use and unemployment rates.

Overall, the data provide no significant evidence of any effect of the demonstration on participation. Caseloads in San Diego rose rapidly after cash-out was implemented, but caseloads were also rising throughout the state, due to factors unrelated to the demonstration. It is likely that the increases in San Diego were part of this more general trend.

¹The other adjacent county, Imperial County, which is largely rural, was sufficiently dissimilar to San Diego to rule it out as a comparison county.

²The conclusions of the analysis are not sensitive to the analytical period used.

B. PARTICIPATION TRENDS

The San Diego food stamp caseload rose quite rapidly in the year immediately after partial cash-out, by 12 percent (see the second column of Table VI.1.) During this period, however, caseloads increased substantially throughout both California and most of the United States, due to deteriorating economic conditions and other factors.³ The table indicates that caseloads in two of the comparison counties (Los Angeles and Riverside) rose more rapidly than in San Diego. They rose slightly less rapidly in the third comparison county. Caseloads were also rising substantially in the remainder of the state, though at a somewhat slower pace than in the Southern California counties.

A similar pattern occurred from July 1, 1990, through July 1, 1991, the full-cash-out period. Cases in San Diego increased substantially during this period (24 percent). Riverside and Orange actually had larger increases--31 percent and 28 percent, respectively. Caseloads also rose very substantially in Los Angeles and in the remainder of the state, though not quite as rapidly as in San Diego.

To provide an additional perspective on the changes that occurred in the overall four-year period, we plotted monthly changes in caseload levels from July 1988 to July 1992 in San Diego, Riverside, Orange, and Los Angeles counties and the rest of the state (see Figure VI.1). With the exception of Orange County, which experienced a noticeably larger growth rate, San Diego's caseload growth did not differ greatly from growth rates in the comparison counties and the rest of the state in the two years before full cash-out. In the two-year period after full cash-out, San Diego's food stamp caseload grew at a slower rate than in the other Southern California counties shown and at a rate similar to the rate in the rest of the state.

³McConnell (1992) discusses the general trends in national Food Stamp Program participation rates during this period.

TABLE VI.1
PERCENTAGE CHANGE IN FOOD STAMP PROGRAM PARTICIPATION

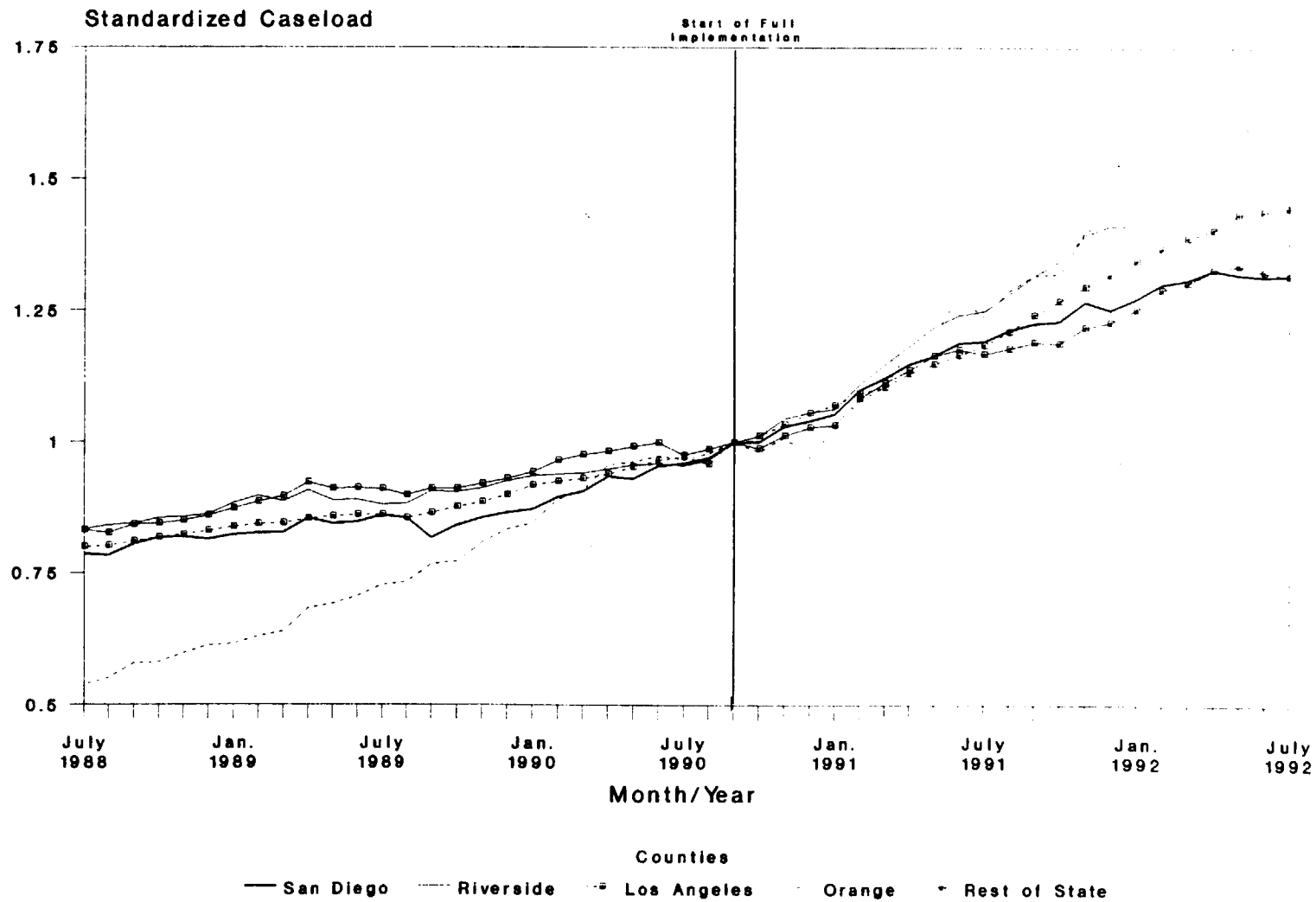
County	Pre-Cash-Out (July 1, 1988- June 30, 1989)	Partial Cash-Out (July 1, 1989- June 30, 1990)	Full Cash-Out (July 1, 1990- June 30, 1991)	Partial and Full Cash-Out Com- bined (July 1, 1989-June 30, 1991)
San Diego	9.4	11.6	24.3	38.7
Comparison Areas				
Riverside	5.5	8.6	30.8	42.1
Los Angeles	7.8	12.9	21.8	37.5
Orange	35.1	32.9	28.0	70.1
Rest of state ^a	9.4	7.2	19.8	28.4

NOTE: Table is based on the number of active cases at the beginning of the months shown, as reported in California State Department of Social Services, "Food Stamp Program Monthly Caseload Movement Statistical Reports."

^aIncludes food stamp caseloads for all California counties except Riverside, San Diego, Los Angeles, and Orange.

Figure VI.1

Changes in Food Stamp Caseload



Note: Rest of state does not include San Diego, Orange, Riverside, and Los Angeles caseloads.

Caseloads grew more rapidly in Orange, Riverside, and Los Angeles counties in the two years after full cash-out, particularly in the final 12-month period. During this period, San Diego's caseload growth began to level off, while the caseloads in the comparison counties continued to rise. The figure also shows that, with the exception of Orange and Los Angeles counties, caseload growth leveled off or began to drop around April 1, 1992.

Figures VI.2 and VI.3 examine food stamp caseload changes separately for AFDC and non-AFDC cases. In general, the conclusions for the overall caseload also apply to the two individual components. Although both components of the caseload were rising throughout the full cash-out period in San Diego County, the increases were similar to or smaller than those elsewhere in Southern California.

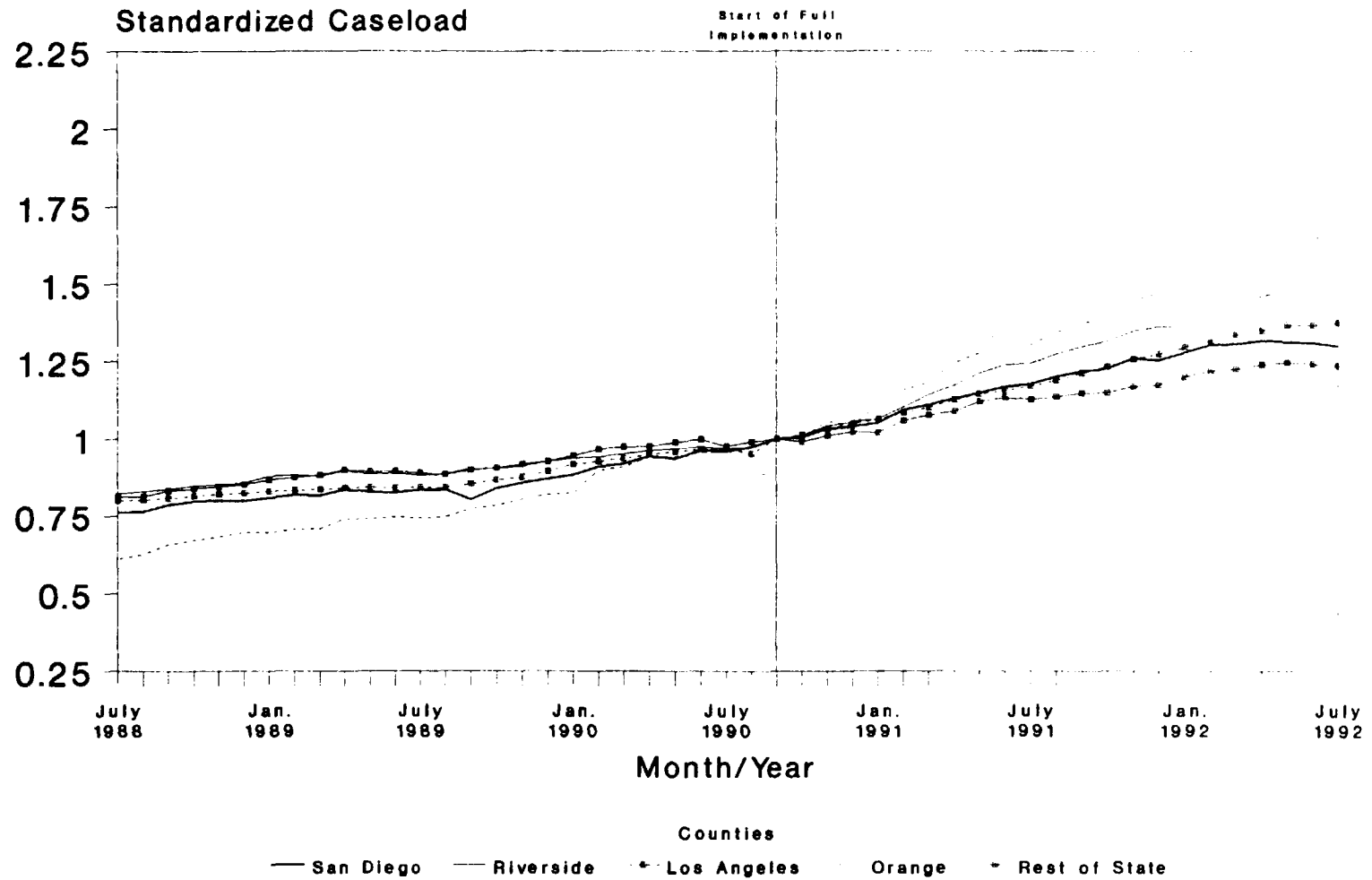
C. EFFECTS OF UNEMPLOYMENT ON FOOD STAMP USE

Coincidentally, the most recent recession began in California at the start of the San Diego cash-out demonstration. The recession was especially severe in Southern California (Economic Development Corporation, 1992), and it is possible that the differential effects of the recession on counties could blur the analysis of the effects of the demonstration. For this reason, we examine the effects of unemployment on food stamp use in San Diego and the three comparison counties.

Unemployment rates increased substantially in all four counties during the demonstration period. As reflected in Figure VI.4 and Table VI.2, unemployment began to increase in all four counties around March 1990 and continued through mid-1992.⁴ Moreover, the rate of increase is relatively similar in the four counties.

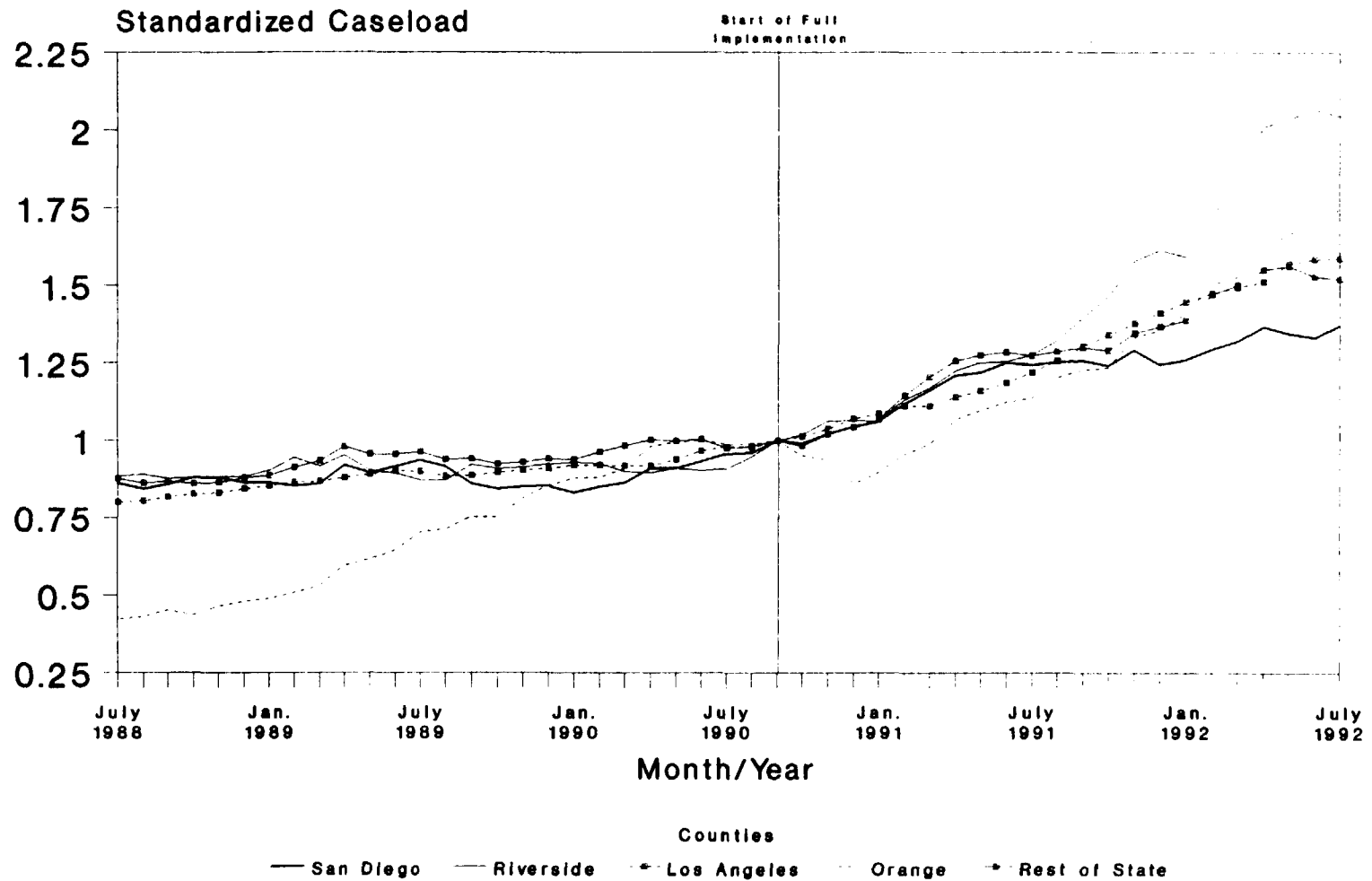
⁴The unemployment rates, which are not seasonally adjusted, are from the Bureau of Labor Statistics, *State and Metropolitan Area Employment and Unemployment*. The rates are for labor-market areas. Because Riverside and San Bernardino Counties are in the same labor-market area, their unemployment rates have been combined.

Figure VI.2
Changes in Food Stamp Caseload
(Public-Assistance Caseload)



Note: Rest of state does not include San Diego, Orange, Riverside, and Los Angeles caseloads.

Figure VI.3
Changes in Food Stamp Caseload
(Non-Public-Assistance Caseload)

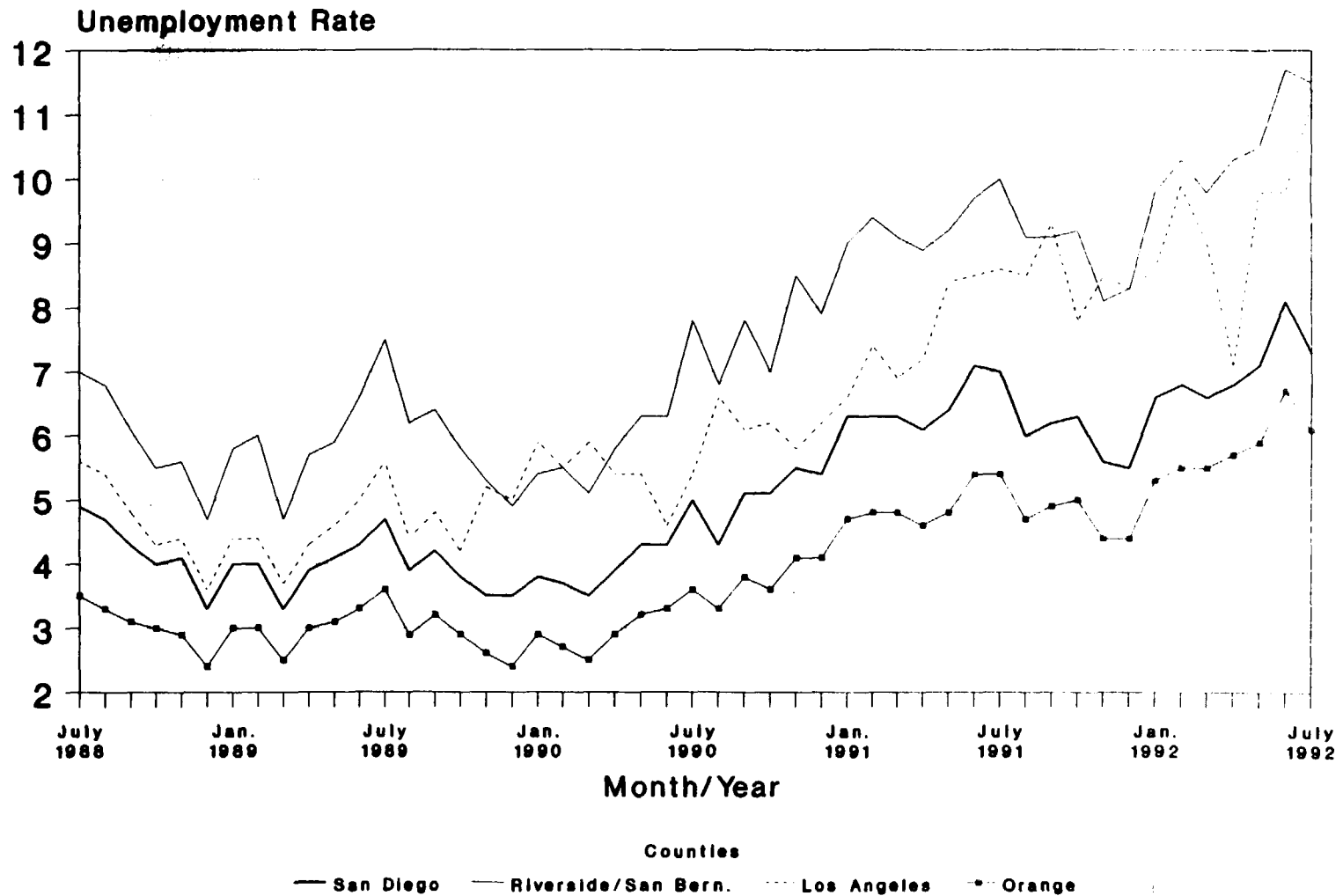


Note: Rest of state does not include San Diego, Orange, Riverside, and Los Angeles caseloads.

Figure VI.4

Unemployment Rates for Selected Counties

51



Source: Bureau of Labor Statistics, State and Metropolitan Area Employment and Unemployment.

Note: Because of the Bureau of Labor's reporting convention, the unemployment rates for Riverside County have been combined with those of San Bernardino County. The rates are not seasonally adjusted.

TABLE VI.2
UNEMPLOYMENT RATES BY COUNTY

County	Unemployment Rate		Increase Over Period	
	July 1990	June 1991	Percentage Points	As Percentage of July 1990 Rate
San Diego	5.0	7.1	2.1	42.0
Riverside ^a	7.8	9.7	1.9	24.4
Los Angeles	5.4	8.5	3.1	57.4
Orange	3.6	5.4	1.8	50.0

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. *State and Metropolitan Area Employment and Unemployment*, various issues.

^aThe available data for Riverside also include San Bernadino County. This labor-market area had a substantially higher unemployment rate in July 1990 than in either June or August 1990. Thus, the table may somewhat underestimate the true increase over the analytical period.

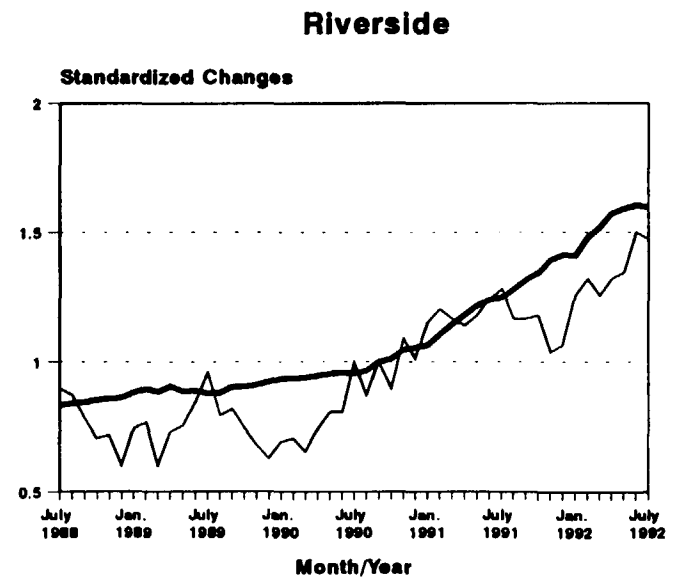
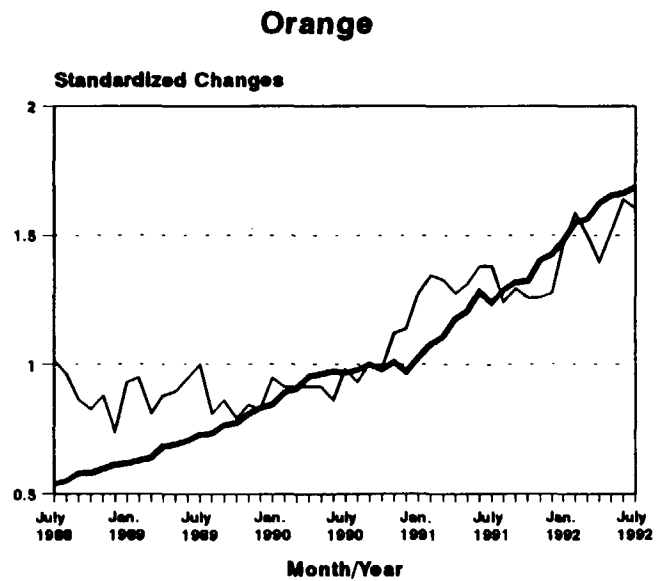
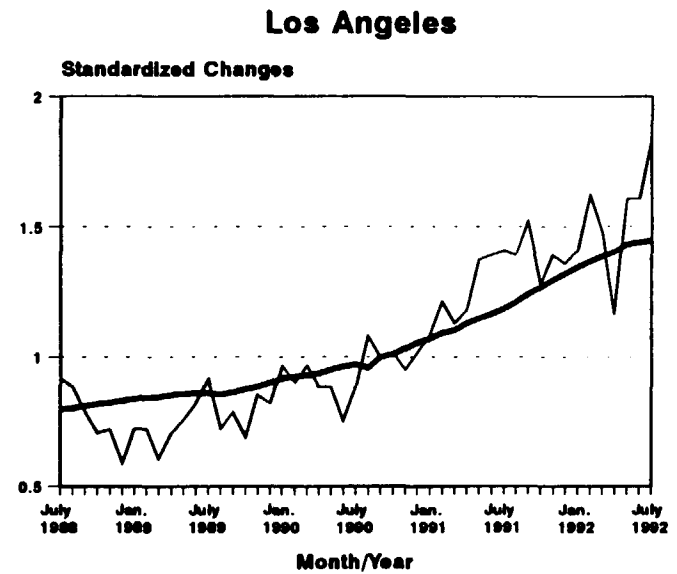
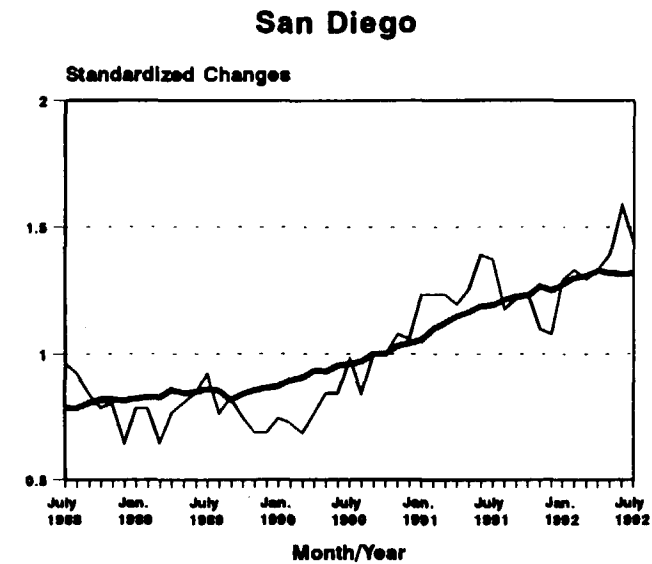
From July 1990 to June 1991, which includes the periods immediately before and after full cash-out, the unemployment rate rose by 2 percentage points in San Diego and by 2, 3, and 2 percentage points, respectively, in the three comparison counties. Thus, all counties showed a substantial increase in unemployment.

Figure VI.5 plots monthly food stamp participation and unemployment rates during the four-year evaluation period in each of the counties. The results do not provide any evidence to suggest that cash-out increased food stamp participation rates. Rather, they suggest that food stamp use is strongly influenced by unemployment. The post-September 1990 relationship between food stamp use and unemployment rates in San Diego does not differ substantially from the relationship observed in the comparison counties. Moreover, within San Diego County itself, the relationship between food stamp use and unemployment is quite similar in both the pre- and full-cash-out periods.

D. CONCLUSIONS

The analysis does not provide evidence that cash-out had any effect on Food Stamp Program participation. Although San Diego's caseload did rise substantially after the demonstration was fully operational, this growth was mirrored both in the comparison counties and in the rest of California. The similar growth rates make it likely that factors other than cash-out, such as the recession, were largely responsible for caseload growth. Moreover, San Diego's caseload growth in the full-cash-out period did not systematically exceed caseload growth in the comparison counties, as one would expect had a participation effect existed. Although it is possible that the external determinants of caseload growth were not felt as strongly in San Diego--thus obscuring the existence of a participation effect--there is no significant evidence for this theory. Indeed, our analysis showed that the rise in unemployment was about as large in San Diego as in the three adjacent counties. It is likely that changes in the economy account for most of the increase in consequent food stamp use in all four counties.

FIGURE VI.5
UNEMPLOYMENT AND FOOD STAMP PARTICIPATION BY COUNTY



Note: Unemployment rates include those for San Bernardino County.

■ Food Stamp — Unemployment

VII. THE IMPACT OF CASH-OUT ON THE STORE OPERATIONS OF AUTHORIZED RETAILERS

This chapter discusses food retailers' perceptions about the impact of cash-out on changes in the amount of staff time devoted to various store activities, as well as on overall staffing levels and nonlabor costs. Section A describes the research design, including an overview of the retailer survey, and discusses how the data were analyzed. After this methodological discussion, the remainder of the chapter consists of three substantive sections.

The first, Section B, discusses store procedures. In the retailer survey, food retailers were asked how their staffing changed due to changes in store procedures (as opposed to changes in sales) for seven categories of store activities--checking out customers, reconciling receipts and preparing bank deposits, training new cashiers, training new employees other than cashiers, cashing checks and performing service-counter activities, handling bad or fraudulent checks, and supervising employees. For each activity, retailers were asked whether the amount of staff time increased, declined, or remained the same under cash-out. Section B discusses the impact of cash-out on each store activity.

Retailers were also asked whether total staff hours at their establishment had changed since cash-out, and, if so, whether any of the changes were due to cash-out. Retailers whose total staff hours had changed under cash-out were asked to estimate the amount of the change, either the number of hours or the percentage of staff hours. They were also asked whether the cash-out-induced change in staffing was attributable primarily to changes in sales under cash-out or to changes in store operations. Section C discusses the findings based on this sequence of questions.

In addition to staffing questions, the retailer survey asked respondents about the impact of cash-out on two other components of the cost of FSP participation to retailers--nonlabor costs and float costs.¹ Retailers were asked whether cash-out changed nonlabor costs (such as bank fees, overhead,

¹Float costs are the foregone interest payments on retailers' deposits due to the time lag between coupon receipt by retailers and the crediting of the deposited coupons by the banks to the stores' (continued...)

rent, and insurance costs), as well as how often they deposited store receipts in their banks before and after cash-out. Their responses to the questions about the frequency of deposits were compared, yielding a measure of the change in the frequency of bank deposits. The findings on the impact of cash-out on nonlabor costs and bank transactions are reported in Section D.

A. RESEARCH DESIGN FOR THE ANALYSIS OF IMPACTS ON STORE OPERATIONS

The basic analytical approach used to examine the impacts of cash-out on store operations was a descriptive analysis of the results of a telephone survey of San Diego County retailers. The survey was conducted with the store managers and owners of 396 retail-food establishments in San Diego County from December 1991 through January 1992, 15 to 16 months after the start of full cash-out. The survey was based on a probability sample of food retailers drawn from the population of 949 stores authorized to accept food stamp coupons at the time that San Diego County converted to partial cash-out.

1. Sample Design

The sample for the survey was a stratified random probability sample. The sample frame for the survey came from a complete computerized list of all authorized San Diego County food retailers as of the time that the county converted to food stamp cash-out. The list, provided by FNS, included a measure of size (food stamp coupon redemptions in the month prior to cash-out) and a classification of the store (supermarket, grocery store, and so forth).

Table VII.1 shows the population of authorized food retailers in San Diego County and the level of food stamp redemptions in the month prior to cash-out. Of the 949 retailers in San Diego County, FNS classified 219 as supermarkets and 730 as grocery stores, convenience stores, specialty shops, and

¹(...continued)
accounts. Cash-out would reduce float costs if retailers deposited their cash receipts and FSP checks more frequently than coupons.

TABLE VII.1
POPULATION OF FOOD RETAILERS IN SAN DIEGO COUNTY

	Authorized Food Retailers		Food Stamp Redemptions ^a	
	Number	Percentage	Amount	Percentage
Supermarkets	219	23	\$3,744,870	76
Smaller Stores ^b	730	77	\$1,203,295	24
All Stores	949	100	\$4,948,165	100

SOURCE: U.S. Department of Agriculture, Food and Nutrition Service.

^aFood stamp redemptions in the month prior to cash-out. Note that food stamp issuances have increased substantially since the sample was obtained, due to large increases in the caseload and increases in the benefit levels induced by inflationary adjustments.

^bSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

other smaller establishments. Supermarkets comprised only 23 percent of total retailers, but they accounted for 76 percent of all coupon redemptions in the month prior to cash-out.

Previous research on cash-out in Puerto Rico suggested that cash-out may affect supermarkets differently than it does smaller stores (Beebout et al. 1983). To ensure that samples were of sufficient size to allow us to analyze the data separately for these two types of stores, we stratified the sample according to whether or not retailers were larger stores (that is, with monthly food stamp redemptions greater than or equal to \$4,000). Larger stores were selected with certainty; within the other stratum, stores were selected with a probability proportional to size, as measured by food stamp redemptions.²

2. Survey Procedures

One week prior to the survey interviews, interviewers screened the sampled establishments by telephone to identify store owners, managers, or other persons most familiar with the sales and operations of the stores both before and after cash-out was introduced. If a manager or owner did not have experience with both coupons and checks, the store was deemed ineligible for the survey. After this initial screening call, we mailed a letter to the identified respondent to inform respondents about the study, assure them that the information would be kept confidential, and indicate that the study was supported by FNS, the San Diego County Department of Social Services, and the Southern California Retailer Association. Trained interviewers from the centralized telephone interviewing center at Mathematica Policy Research, Inc., in Princeton, NJ, interviewed the store managers and owners. A response rate of 81 percent was attained.³

²Appendix E provides further details on sample selection.

³Appendix F discusses the disposition of the sample, including the breakdown of eligible and ineligible cases, completed interviews, and all other final statuses. The appendix also includes a copy of the advance letter, screening scripts, and the structured questionnaire.

3. Analytical Approach

A descriptive analysis of the survey data provided estimates of the impacts of cash-out on store operations. These tabulations were weighted to account for the stratified sample design. Two sets of weights were used in the study of retailers. The first set made the sample directly representative of the entire population of authorized food retailers in San Diego County, enabling us to make such statements as, "At XX percent of the stores, store managers estimated that sales had decreased as a result of cash-out." The second set weighted stores according to the size of their food stamp redemptions prior to cash-out. These weights made the sample representative of the characteristics of stores at which a typical dollar amount of food stamps is used, enabling us to make such statements as, "At stores accounting for XX percent of food coupon redemptions, store managers estimated that sales had decreased because of cash-out."⁴

4. The Characteristics of the Retailer Sample

The sample of 396 authorized food retailers that completed interviews consists of 164 supermarkets and 232 smaller stores. The 164 supermarkets that completed interviews account for 75 percent of the supermarkets in San Diego County and 88 percent of the food stamps redeemed by supermarkets in the month prior to cash-out (see Table VII.2). For smaller stores, the sample of 232 stores represents 32 percent of smaller stores in San Diego County but 78 percent of the food stamps redeemed by smaller stores. The food retailers in these samples accounted for most (86 percent) of the food stamp coupon purchases prior to cash-out.

Table VII.3 presents survey-based summary statistics of the characteristics of the sample of supermarkets and smaller stores. The supermarkets have been operating for an average of 16 years; smaller stores have been operating for 15 years. Supermarkets have more than 50 full-time-

⁴Appendix E provides further details on the derivation of the weights.

TABLE VII.2
FOOD RETAILER STUDY SAMPLE

	Authorized Food Retailers		Food Stamp Redemptions ^a	
	Number	Percentage of Population ^b	Amount	Percentage of Population ^c
Supermarkets	164	75	\$3,286,663	88
Smaller Stores ^d	232	32	\$944,056	78
All Stores	396	42	\$4,230,719	86

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey.

NOTE: The table includes only sample retailers who completed the survey.

^aFood stamp redemptions in the month prior to cash-out.

^bSample as a percentage of the population of retailers in the store stratum.

^cSample as a percentage of total food stamp redemptions in the store stratum.

^dSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

TABLE VII.3
CHARACTERISTICS OF THE SAMPLE OF RETAILERS

Characteristic	Supermarkets	Smaller Stores ^a	All Stores
Years in Operation			
Mean	16	15	15
Median	13	10	11
Number of Full-Time Equivalent Employees			
Mean	54	10	28
Median	54	4	10
Monthly Total Sales Volume			
Mean	\$1,005,386	\$149,727	\$491,492
Median	\$1,000,000	\$50,000	\$100,000
Percentage of Monthly Sales Represented by Food Stamps ^b			
Mean	7	8	7
Median	4	5	5
Sample Size	164	232	396

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, unweighted tabulations.

^aSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

^bWeighted by food stamp redemptions prior to cash-out.

equivalent employees and \$1 million in gross monthly sales. In comparison, the smaller stores typically have 10 full-time-equivalent employees and monthly gross sales of about \$150,000.

B. IMPACT OF CASH-OUT ON KEY STORE ACTIVITIES

A substantial percentage of food retailers, especially those that previously redeemed a large volume of food stamp coupons, reported that cash-out reduced the time devoted by store staff to handling and reconciliation activities and customer checkout. This finding is important, because handling and reconciliation activities and customer checkout probably account for the majority of retailers' participation costs under the coupon system.⁵ For some stores, this reduction may have been offset at least partially by the increase in staff time devoted to handling and cashing the increased number of checks.

The remainder of the section discusses the impact of cash-out on the time devoted by staff to each major store activity. Table VII.4 presents findings for all stores and for all food stamp redemptions prior to cash-out. Table VII.5 presents the findings for supermarkets and smaller stores.

Customer Checkout. A majority (59 percent) of retailers reported that cash-out had no effect on customer checkout times (see Table VII.4). But 37 percent reported a reduction in customer checkout time under cash-out. When retailers' responses were weighted to reflect food stamp redemptions, the managers and owners of stores that accounted for 50 percent of food stamp redemptions reported that cash-out reduced checkout times. Supermarkets were more likely than smaller stores to report that cash-out reduced checkout time. Fifty-nine (59) percent of supermarkets reported that cash-out reduced the amount of time for checking out customers, compared with 29 percent of smaller stores (see Table VII.5).

⁵Previous studies have grouped retailers' FSP participation costs into five categories: handling and reconciliation costs, checkout productivity costs, training costs, reshelving costs, and float costs. Kirlin et al. (1990) found that, of these components, handling and reconciliation costs account for 80 percent of retailers' participation costs under the coupon system; checkout productivity costs account for 13 percent of the total; and the other three components account for less than 7 percent of the total.

TABLE VII.4

RETAILERS' PERCEPTIONS OF THE IMPACTS OF CASH-OUT ON STORE OPERATIONS

	Time Spent On:						
	Checking Out Customers	Reconciling Store Receipts and Preparing Bank Deposits	Training New Cashiers	Training New Employees Other Than Cashiers	Cashing Checks	Handling Fraudulent or Bad Checks	Supervising
Weighted to Represent All Stores							
Percentage Reporting:							
Increase	4	7	4	3	18	14	6
Reduction	37	46	10	2	8	5	6
No change	59	47	86	95	74	81	88
Total	100	100	100	100	100	100	100
Weighted to Represent All Food Stamp Redemptions							
Percentage Reporting:							
Increase	11	6	6	2	42	28	12
Reduction	49	62	7	2	6	4	5
No change	40	32	87	96	52	68	83
Total	100	100	100	100	100	100	100

SOURCE: Evaluation of the San Diego Cash-Out Demonstration, Retailer Survey, weighted tabulations.

NOTE: Unweighted sample size for all stores equals 396.

TABLE VII.5

RETAILERS' PERCEPTIONS OF THE IMPACTS OF CASH-OUT ON STORE OPERATIONS, BY TYPE OF STORE

	Time Spent On:						
	Checking Out Customers	Reconciling Store Receipts and Preparing Bank Deposits	Training New Cashiers	Training New Employees Other Than Cashiers	Cashing Checks	Handling Fraudulent or Bad Checks	Supervising
Percentage of Supermarkets Reporting: ^a							
Increase	8	4	7	2	45	22	10
Reduction	59	73	8	3	5	4	7
No change	33	23	85	95	50	74	83
Total	100	100	100	100	100	100	100
Percentage of Smaller Stores Reporting: ^{b,c}							
Increase	3	8	3	3	9	12	5
Reduction	29	37	11	2	9	5	6
No change	68	55	86	95	82	83	89
Total	100	100	100	100	100	100	100

SOURCE: Evaluation of the San Diego Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aUnweighted sample size for supermarkets equals 164.

^bSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

^cUnweighted sample size for smaller stores equals 232.

Reconciling Store Receipts and Preparing Bank Deposits. Cash-out reduced reconciliation and handling time for about 46 percent of the retail food stores (see Table VII.4). These stores accounted for 62 percent of food stamp redemptions. Forty-seven (47) percent of stores reported that cash-out did not affect the amount of time for reconciling FSP benefits; these stores accounted for 32 percent of food stamp redemptions. Very few retailers (7 percent) reported that cash-out increased the time devoted to reconciliation and handling. As with customer checkout, supermarkets were more likely than smaller stores to report that cash-out reduced staff time for reconciliation activities. Seventy-three (73) percent of supermarkets reported that cash-out reduced the amount of time for reconciling store receipts and preparing bank deposits, compared with 37 percent of smaller stores (see Table VII.5).

Training New Cashiers. Few food retailers (10 percent) reported that cash-out reduced new cashier training time (see Table VII.4). These stores accounted for less than 10 percent of food stamp redemptions. The minor impact of cash-out on cashier training time may be due to the fact that only a small part of overall training time is spent on training for food stamp coupon purchases.

Training New Employees Other Than Cashiers. Even fewer retailers reported that cash-out affected the time necessary to train new employees other than cashiers. Only 2 percent of the retailers reported that cash-out reduced training time for noncashier employees, and 3 percent reported an increase in training time (see Table VII.4). The findings were essentially similar for supermarkets and smaller stores (see Table VII.5).

Cashing Checks and Performing Service-Counter Activities. Just 18 percent of food retailers reported that cash-out increased the time spent on check-cashing and service-counter activities (see Table VII.4). Yet these stores accounted for more than 40 percent of the food stamp redemptions prior to cash-out. Consistent with the finding that cash-out increased check-cashing activities by stores that had previously redeemed the majority of food stamp coupons, 45 percent of supermarkets

reported that check-cashing time had increased (see Table VII.5). Less than 10 percent of smaller stores reported an increase in check-cashing time under cash-out.

Handling Bad or Fraudulent Checks. Some retailers, particularly the higher-volume stores that cash more checks, reported that cash-out had increased the staff time devoted to handling bad checks. Fourteen (14) percent reported an increase in time spent on handling fraudulent checks (see Table VII.4). These stores accounted for 28 percent of food stamp redemptions before cash-out. Twenty-two (22) percent of supermarkets reported an increase in the amount of time devoted to handling fraudulent or bad checks, compared with 12 percent of smaller stores. The higher-volume stores that cash more checks reported an increase in staff time devoted to handling fraudulent checks.

Supervisory Activities. Retailers reported that cash-out had relatively little impact on the time devoted to supervisory activities. The vast majority of retailers (88 percent), representing 83 percent of food stamp redemptions, reported no change in staff time spent on supervising employees under cash-out (see Table VII.4). Only 6 percent (representing 12 percent of food stamp redemptions) reported an increase in supervisory time. Supermarkets were twice as likely as smaller stores to report that cash-out had reduced the time spent on supervising employees--10 percent versus 5 percent (see Table VII.5). About 6 percent of smaller stores reported that cash-out had reduced supervisory time.

C. IMPACT OF CASH-OUT ON TOTAL STAFFING

About half (51 percent) of the food retailers reported that their store's total staffing hours changed after the inception of cash-out (see Table VII.6). Forty-one percent reported a reduction in total staff hours; 10 percent reported an increase. Yet the vast majority of those that reported either an increase or reduction in total staffing attributed the staffing changes to factors unrelated to cash-out. Seventy-five percent of the stores that reported a staffing reduction said that it was not due to cash-out. Similarly, 70 percent of the stores that reported a staffing increase said that it was not due to cash-out.

TABLE VII.6
RETAILERS' PERCEPTIONS OF CHANGES IN STAFFING

	Percentage of Stores	
	Weighted to Represent Stores	Weighted to Represent Food Stamp Redemptions
Increase in Staffing	10	6
Due to cash-out	3	1
Not due to cash-out	7	5
Reduction in Staffing	41	61
Due to cash-out	10	24
Not due to cash-out	31	37
No Change in Staffing	49	33
Unweighted Sample Size	396	396

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

NOTE: Staffing is measured as the total number of staff hours used by the store weekly.

Most retailers (87 percent) reported that cash-out had not changed staffing (see Table VII.7).⁶ Overall, only 13 percent of the food retailers reported that cash-out had changed their total staff hours; these stores accounted for 25 percent of food stamp redemptions. Ten (10) percent of food retailers, representing 24 percent of food stamp redemptions, reported that cash-out reduced their total staff hours. Only 3 percent of food retailers, representing just one percent of food stamp redemptions, reported that cash-out increased their total staff hours.

Supermarkets were more likely than smaller stores to report that cash-out reduced staffing (see Table VII.8). Sixteen (16) percent of supermarkets, representing 28 percent of food stamp redemptions for supermarkets, reported that cash-out reduced staffing. Managers at 8 percent of smaller stores reported staffing reductions under cash-out; these stores accounted for 15 percent of food stamp redemptions for smaller stores. More than three quarters of the managers at both types of stores attributed the reduction in staffing to the effect of cash-out on sales, rather than to its effect on store operations.

Table VII.9 presents information on the size of the staffing changes reported by retailers.⁷ The average reduction in total staff hours for retailers reporting reductions due to cash-out was 12 percent. Among smaller stores reporting reductions in staffing due to cash-out, the mean reduction was 15 percent, compared with 7 percent among supermarkets. The mean change in total staff hours for stores reporting only an increase or reduction was -12 percent (-7 percent for supermarkets

⁶Stores reporting no change in staffing after the inception of cash-out or reporting a change in staffing not due to cash-out were classified as reporting no change in staffing due to cash-out.

⁷Retailers reporting that cash-out increased or reduced staffing hours could report the change in terms of either the number of hours per month or the percentage of staff hours. We converted responses reported in hours per month into a percentage basis, based on information from the questionnaire on the number of full-time employees, the number of part-time employees, and the average weekly hours for part-time employees.

TABLE VII.7

RETAILERS' PERCEPTIONS OF THE IMPACT OF CASH-OUT ON STAFFING

	Percentage of Stores	
	Weighted to Represent Stores	Weighted to Represent Food Stamp Redemptions
Increase in Staffing due to Cash-Out	3	1
Change in sales	2	0
Change in operations	1	1
Other reasons	0	0
Reduction in Staffing due to Cash-Out	10	24
Change in sales	7	19
Change in operations	2	3
Other reasons	1	2
No Change in Staffing due to Cash-Out ^a	87	75
Unweighted Sample Size	396	396

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

NOTE: Staffing is measured as the total number of staff hours used by the store weekly.

^aStores reporting no change in staffing after the inception of cash-out or reporting a change in staffing not due to cash-out were classified as reporting no change in staffing due to cash-out.

TABLE VII.8
IMPACT OF CASH-OUT ON STAFFING, BY STORE TYPE

	Percentage of Stores	
	Weighted to Represent Stores	Weighted to Represent Food Stamp Redemptions
Supermarkets		
Increase in Staffing due to Cash-Out	1	2
Change in sales	0	0
Change in operations	1	2
Other reasons	0	0
Reduction in Staffing	16	28
Change in sales	11	22
Change in operations	3	3
Other reasons	2	3
No Change in Staffing due to Cash-Out ^b	83	70
Unweighted Sample Size	164	164
Smaller Stores^a		
Increase in Staffing due to Cash-Out	4 %	1 %
Change in sales	3	1
Change in operations	1	0
Other reasons	0	0
Reduction in Staffing due to Cash-Out	8	15
Change in sales	6	9
Change in operations	1	5
Other reasons	1	1
No Change in Staffing due to Cash-Out ^b	88	84
Unweighted Sample Size	232	232

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration. Retailer Survey, weighted tabulations.

^aSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

^bStores reporting no change in staffing after the inception of cash-out or reporting a change in staffing not due to cash-out were classified as reporting no change in staffing due to cash-out.

TABLE VII.9
REPORTED PERCENTAGE CHANGE IN STAFF HOURS DUE TO CASH-OUT

Store Type	Percentage of Total Staff Hours per Month		
	Mean Increase (for Stores with Increase)	Mean Reduction (for Stores with Reduction)	Mean Change in Staff Hours ^b (for All Stores)
Weighted to Reflect Stores			
Supermarkets	3 (n=2)	-7 (n=27)	-1 (n=163)
Smaller stores ^a	7 (n=2)	-15 (n=25)	-1 (n=231)
All stores	6 (n=4)	-12 (n=52)	-1 (n=394)
Weighted to Reflect Food Stamp Redemptions			
Supermarkets	1	-8	-2
Smaller stores ^a	7	-17	-3
All stores	1	-9	-2

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

^bMean change in staff hours computed for all retailers, including zero for those retailers reporting no change in staffing due to cash-out.

and -15 percent for smaller stores). The mean change in total staff hours for retailers was -1 percent (-2 percent when weighted by food stamp redemptions prior to cash-out; see Table VII.9).⁸

D. IMPACT OF CASH-OUT ON NONLABOR COSTS AND BANK TRANSACTIONS

Most retailers (98 percent, representing 94 percent of food stamp redemptions) reported that cash-out did not change their nonlabor costs. Only 12 retailers (slightly more than one percent of all stores) reported any increase in nonlabor costs. These retailers accounted for 4 percent of food stamp redemptions prior to cash-out. Most of these retailers cited check-cashing and bank fees as the primary reasons for the increase in nonlabor costs. Just three retailers (less than 0.5 percent of stores) reported any reduction in nonlabor costs. These retailers, representing one percent of food stamp redemptions prior to cash-out, cited bank fees as the primary reason for the reduction in nonlabor costs due to cash-out.

Another nonlabor cost of interest for food retailers is their float cost. As indicated earlier, this cost is the interest forgone due to the delay between the time that a retailer receives coupons and the time that banks credit their accounts. About half the retailers reported depositing store receipts more frequently under cash-out than under the coupon issuance system. Fifty-three (53) percent of retailers, representing 47 percent of food stamp redemptions, reported making more frequent bank deposits under cash-out (see Table VII.10). Most of the remaining stores (43 percent, representing 49 percent of food stamp redemptions) did not change the frequency with which they deposited store receipts. This pattern suggests that cash-out probably reduced the float costs of retailers somewhat.

⁸Retailers reporting no change in staffing after the inception of cash-out or reporting a change in staffing not due to cash-out received zero for this calculation.

TABLE VII.10

RETAILERS' PERCEPTIONS OF THE IMPACT OF CASH-OUT ON NONLABOR COSTS

	Percentage of Stores	
	Weighted to Reflect Stores	Weighted to Reflect Food Stamp Redemptions
Increase in Nonlabor Costs ^a	1.3	4.0
Bank fees	0.5	0.6
Supplies	0.1	0.1
Financing check cashing	0.3	1.0
Security	0.3	1.1
Bad checks	0.5	0.5
Other	0.1	1.7
Reduction in Nonlabor Costs	0.4	1.4
Bank fees	0.4	1.4
No Change in Nonlabor Costs	98.0	94.5
Unweighted Sample Size	396	396
Change in Number of Bank Transactions		
Increase	53	47
Reduction	4	4
No change	43	49
Unweighted Sample Size	378	378

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aColumns may not add to totals because stores could report a change in more than one nonlabor cost.

VIII. THE IMPACT OF CASH-OUT ON THE SALES AND PROFITS OF AUTHORIZED RETAILERS

Assessing the impacts of cash-out on household food expenditures and food use has been a central concern of the overall evaluation of the Food Stamp Cash-Out Demonstration. Ohls et al. (1992) used survey data on individual food stamp households to examine this issue. An alternative source of information for exploring the effects on food expenditures is retailer data. This chapter uses those data to examine the effects on both sales and profits.

A. RESEARCH DESIGN

Analyzing the impacts of cash-out on store sales and profits involves two very formidable obstacles. One is that store sales and profits may be affected by many factors independent of cash-out, such as changes in overall economic conditions, changes in consumer demographics, and secular trends in market conditions. Disentangling the effects of these influences from the effects of cash-out is extremely difficult.

The second is that most food retailers consider sales and profit data to be highly proprietary and are reluctant to release them for research purposes, even with assurances of confidentiality. As discussed in more detail below, responses to our requests for sales and profits data yielded a limited amount of sales data from some stores, but most stores were not willing to release sales and profits data in the detailed, disaggregated formats that would have been most useful for the analysis.

In order to examine the impact of cash-out on retailer sales as thoroughly as possible despite these two problems, we have drawn on various components of the overall evaluation to examine the likely impacts of cash-out on retail sales in three different ways. First, the household survey (described in Ohls et al. 1992) provides estimates of the average reduction in monthly food expenditures by food stamp households due to cash-out. This information, combined with data on the number of food stamp households and the approximate level of retail food sales in San Diego

County, can be used to estimate the approximate magnitude of the demonstration effects on retailer sales. Of the three approaches used in this chapter, this approximation analysis provides the strongest research design for separating the impacts of cash-out from the effects of other factors that may have affected food sales. The results of this analysis are presented in Section B.1.

The second approach examines the survey responses of store managers to a series of questions about their perceptions of the effects of cash-out on sales. The advantage of this analysis, reported in section B.2, is that it is based directly on information from the stores affected by the demonstration. Yet its utility is limited by the fact that some store managers may have found it difficult to distinguish among the effects of the many factors on sales during the relevant period.

The third approach entails examining sales data supplied by four San Diego food retailer chains and one wholesaler. This information, analyzed in section B.3, also suffers from difficulties inherent in separating the effects of the demonstration from the effects of changes in market conditions. As discussed more fully in section B.3, confidentiality concerns also limit the availability of data and thus constrain the analysis.

Neither the retailer survey data nor the quantitative information supplied by any of the retailers provide any information on store profits. Thus, our analysis of profits is based solely on the perceptions of retailers as they reported them in the retailer survey. Similarly, we use the survey data to analyze the effects of cash-out on recipients' choice of stores.

Overall, it must be recognized that these research constraints have limited our ability to assess the full impacts of cash-out on retailers' sales and profits. Although the lines of analysis that we could pursue provide valuable evidence on these issues, they do not permit definitive conclusions. The discussion in this chapter reflects this caveat.

B. THE IMPACTS OF CASH-OUT ON STORE SALES

Section 1 examines the implications of the household survey results for the likely effect of cash-out on store sales. The findings from the retailer survey and the analysis of the quantitative data supplied by retailers are then presented in sections 2 and 3, respectively.

1. Analysis Based on Household Survey Data

The household interviews conducted for the evaluation included a very detailed sequence of questions about the foods used by a household from home food supplies in the previous seven days. For each food item, interviewers determined the source of the food and, if it was purchased, the purchase price. These data made it possible to examine the value of food used by cash-out households relative to coupon households. Based on that information, we estimated that cash-out reduced expenditures on purchased food used at home by \$22.25 monthly for the average food stamp household.

Multiplying \$22.25 by the number of households in the San Diego food stamp caseload when cash-out was implemented fully (53,000)¹ and converting the result into an annual figure yields an estimated annual reduction of \$14.2 million in expenditures on food used at home (see Exhibit VIII.1). As shown in lines 3 and 4 of the exhibit, however, total retail food sales in the county are probably around \$3 billion annually, based on a national-level estimate of per-capita food sales in the United States and on data on the population of San Diego County. Thus, the estimated reduction due to cash-out is on the order of one half of one percent.

Many of the numbers used in these calculations are only approximations, which could be subject to significant error. Thus, our estimate of the percentage reduction in food sales must be viewed with some caution. Nevertheless, these calculations provide strong evidence that the potential effect of

¹Based on 3/24/93 communication from San Diego County. Note that the number of cases is somewhat lower than the number of issuances because of multiple issuances to make replacements and to correct errors in the initial issuances.

EXHIBIT VIII.1

ESTIMATED IMPACTS ON RETAILER SALES, BASED ON HOUSEHOLD SURVEY DATA

1. Estimated Reduction in Monthly Food Expenditures per Household	\$22.25
2. Total Estimated Reduction in Food Expenditures per Year	\$14.2 million
3. Estimated Annual per Capita Food Expenditures in the United States	\$1,200.00
4. Estimated Annual Food Expenditures in San Diego County	\$3.0 billion
5. Estimated Percentage Reduction in Food Expenditures due to Cash-Out	.47

SOURCE: Line 1: Ohls et al. (1992) Table IV.1.

Line 2: $\text{Line 1} \times 12 \text{ months} \times 53,000$.

Line 3: Based on U.S. Bureau of the Census, *Statistical Abstract of the United States* 1990, Tables 2 and 1357.

Line 4: $\text{Line 3} \times 2.5 \text{ million people in the county}$.

Line 5: Line 2 as a percentage of Line 4.

cash-out on sales as a percentage of sales is quite low--probably less than one percent. However, this estimate is an *average* estimate applicable to all of San Diego County. It is likely that the effects are substantially larger for certain stores in low-income neighborhoods.

2. Retailers' Perceptions of the Impact of Cash-Out on Store Sales

In the retailer survey we asked retailers to report their perception of the impact of cash-out on their sales of food items that can be purchased with food stamps, sales of food items that cannot be purchased with food stamps (for example, certain prepared foods and deli foods), sales of nonfood items, and total sales. Specifically, they were asked whether sales in each category increased, stayed the same, or declined. Those reporting an increase or reduction in a particular category were asked whether it was small or large.

The reader must bear in mind that the evidence from the retailer survey represents the retailers' *perceptions* of the impact of cash-out on sales. But sales can change for other reasons, such as changes in the economy and changes in business competition. Retailers were asked to "net out" changes due to other economic or local-market conditions when responding to the question, but it is unclear how well they were able to distinguish the factors that actually affected sales.

More than half of the food retailers reported that cash-out reduced the sales of food items that can be purchased with food stamps; conversely, it increased the sales of both food items that cannot be purchased with food stamps and nonfood items. Overall, a substantial percentage of the retailers, accounting for more than half of food stamp redemptions, reported that cash-out reduced total sales.

Sales of Food Items That Can Be Purchased with Food Stamps. Just more than half (52 percent) of the stores reported a reduction in the sales of food items that can be purchased with food stamps (see Table VIII.1). These stores accounted for 68 percent of food stamp redemptions. Thirty (30) percent of retailers, accounting for 45 percent of food stamp redemptions, reported that the reduction in food stamp sales was large. Table VIII.2 presents the findings separately for

TABLE VIII.1
RETAILERS' PERCEPTIONS OF THE IMPACT OF CASH-OUT ON STORE SALES

	Store Sales			
	Food Items That Can Be Purchased with Food Stamps	Food Items That Cannot Be Purchased with Food Stamps	Nonfood Items	Total Sales
Weighted to Reflect All Stores				
Percentage of Stores Reporting:				
Increase in sales	7	32	39	15
Small increase	5	24	25	13
Large increase	2	8	14	2
Decrease in sales	52	16	10	37
Small decrease	22	9	6	21
Large decrease	30	7	4	16
Sales stayed the same	41	52	51	48
Weighted to Reflect Food Stamp Redemptions				
Percentage of Stores Reporting:				
Increase in sales	5	45	50	14
Small increase	4	35	32	9
Large increase	1	10	18	5
Decrease in sales	68	12	9	56
Small decrease	23	5	5	18
Large decrease	45	7	4	38
Sales stayed the same	27	43	41	30

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

NOTE: Unweighted sample size for all stores equals 396.

TABLE VIII.2

RETAILERS' PERCEPTIONS OF THE IMPACT OF CASH-OUT ON STORE SALES, BY STORE TYPE

	Store Sales			
	Food Items That Can Be Purchased with Food Stamps	Food Items That Cannot Be Purchased with Food Stamps	Nonfood Items	Total Sales
Weighted to Reflect Stores				
Percentage of Supermarkets Reporting:				
Increase in sales	3	54	52	15
Decrease in sales	50	8	6	38
Sales stayed the same	47	38	42	47
Percentage of Smaller Stores Reporting: ^a				
Increase in sales	8	25	35	15
Decrease in sales	52	19	12	37
Sales stayed the same	40	56	53	48
Weighted to Reflect Food Stamp Redemptions				
Percentage of Supermarkets Reporting:				
Increase in sales	2	49	54	13
Decrease in sales	73	11	7	59
Sales stayed the same	25	40	39	28
Percentage of Smaller Stores Reporting: ^a				
Increase in sales	14	34	41	17
Decrease in sales	56	15	13	45
Sales stayed the same	30	51	46	38

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

NOTE: Unweighted sample size for supermarkets equals 164; unweighted sample size for smaller stores equals 232.

^aSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

supermarkets and smaller stores. For both supermarkets and smaller stores, half reported a reduction in the sales of food items that can be purchased with food stamps. These stores accounted for 73 percent and 56 percent, respectively, of food stamp redemptions within their respective categories.

Sales of Food Items That Cannot Be Purchased with Food Stamps. Nearly one third (32 percent) of food retailers, representing 45 percent of food stamp redemptions, reported an increase in the sales of food items that formerly could not be purchased with FSP benefits (see Table VIII.1). Most of such stores reported that the increase was small: 24 percent of the retailers, accounting for 35 percent of food stamp redemptions. Roughly half of the supermarkets and one fourth of the smaller stores reported that the sales of such items increased (see Table VIII.2). These stores accounted for about one half and one third, respectively, of food stamp redemptions prior to cash-out.

Sales of Nonfood Items. Thirty-nine (39) percent of stores reported an increase in the sales of nonfood items; these stores accounted for 50 percent of food stamp redemptions (see Table VIII.1). Most stores reporting an increase in nonfood sales said that the increase was "small." Supermarkets were more likely than smaller stores to report an increase in the sales of nonfood items at their stores. Fifty-two (52) percent of supermarkets reported that cash-out had increased their sales of nonfood items, compared with 35 percent of smaller stores (see Table VIII.2).

Total Sales. Overall, 37 percent of retailers, representing 56 percent of food stamp redemptions, reported that cash-out reduced their total sales (see Table VIII.1). Although only 16 percent reported that the reduction was large, they accounted for nearly 40 percent of food stamp redemptions. Thirty-eight (38) percent of supermarkets, representing nearly 60 percent of supermarket food stamp redemptions, reported a reduction in total sales. Thirty-seven (37) percent of smaller stores reported that total sales declined; they accounted for 45 percent of the food stamp redemptions of smaller stores.

3. Impact of Cash-Out on Store Sales, Based on Monthly Sales Data

To obtain additional information on the possible effects of cash-out on retailer sales, we asked several major retailer food chains in San Diego County to supply information on their food sales before and after cash-out went into effect on September 1, 1990. In general, the retailers were reluctant to supply detailed data on sales at their individual stores, since they view such information as highly proprietary. However, two chains did supply data at the store level for selected stores, and two others supplied data in various forms of aggregation across stores. In addition, sales data were obtained from a wholesaler that supplies many of the smaller grocery stores in San Diego County. This section examines these data.

The data for three of the four retail chains indicate lower sales after cash-out. The reported reductions for these three chains are so large, however, that it is unlikely they are due primarily to cash-out, since the reductions in sales exceeded the total dollar volume of food stamp use at the stores prior to cash-out. Because two of these three chains supplied data only on selected stores, it is possible that patterns in the data partly reflect the criteria used by the chains to select stores for the samples. Factors unrelated to cash-out could also have caused these data patterns. The fourth chain (which provided data on all of its stores in San Diego County) essentially did not have a change in sales during the cash-out period.

The wholesale data are consistent with the possibility that cash-out may have had a negative effect on store sales. In particular, the fact that the wholesaler's average sales declined more in San Diego County than in other Southern California counties suggests this possibility. Yet insufficient information precludes ascertaining the extent to which the observed differences are due to cash-out or to other factors.

The following subsections discuss the data separately for each chain and the wholesaler. To comply with their requests for confidentiality, we identify the chains and wholesaler only by code letters.

a. Chain A

Chain A supplied information on the *differences* between the monthly sales for four of its stores which had a high volume of food stamp use and those for four with a relatively low volume.² The chain indicated that it chose stores that had not been affected significantly by changes in their geographic market areas over the periods being studied.³

The comparison showed that the four stores with a high volume of food stamp use experienced an average drop in monthly sales volume of \$100,000 more than did the comparison stores in the one-year full-cash-out period. Approximately half of this differential was due to a reduction in the sales of the high-volume stores, and about half was due to an increase in the sales of the comparison stores.

By itself, this finding suggests that cash-out may have had a significant depressing effect on retailer sales. However, as noted earlier, it is not possible to determine with certainty how much of the reported reduction in sales was due specifically to cash-out. To provide some evidence about this issue, we compared the reported relative changes in average store sales with the actual volume of coupons used at the high-volume stores prior to cash-out. Based on information supplied by the chain, average monthly per-store food coupon use at these stores was approximately \$25,000 prior to full cash-out, considerably less than the reported net changes in sales. Thus, a significant portion of the reported relative decline in sales must be due to factors other than cash-out. Even if all of the purchasing power of the coupons were diverted to other uses--which is very unlikely--the diversion would still account only for about one quarter of the \$100,000 monthly relative reduction in sales reported.

²The chain supplied only aggregate data, rather than individual store data, in order to meet the confidentiality needs of the chain.

³The chain also supplied similar data for a second, somewhat larger, set of comparison stores. The comparisons reported in the text reflect the comparison that the chain believed was most indicative of the effects of cash-out; the essential conclusions would not have been altered had the other set of data been used.

b. Chain B

Chain B provided data for the month prior to full cash-out and for the two months after full cash-out for six stores with a relatively high food stamp volume (see Table VIII.3). The first row presents data for three stores with a medium volume of sales, and the second row presents data for three stores with a higher sales volume. The third row aggregates the data across all six stores.

As with the Chain A data, the Chain B data suggest a very substantial decline in sales at high-sales-volume stores after full cash-out. For the six stores combined, the drop was approximately \$61,000 per store per month, approximately 6 percent of store sales. The drop was somewhat larger in both absolute and percentage terms for the higher-sales-volume stores (line 2 of the table) than for medium-sales-volume stores (line 1).

As with Chain A, however, the observed change in sales was so large that it was probably not due primarily to cash-out. Based on data compiled by FNS, average coupon redemptions in the stores in the table were approximately \$37,000 monthly prior to cash-out.⁴ This amount is too low to account for the \$61,000 average reduction in sales, even in the very unlikely event that all Food Stamp Program benefits were diverted to nonfood use. The observed changes in sales must be due primarily to factors associated with the specific stores chosen for analysis or to other influences on store sales during the relevant time period.

c. Chain C

Chain C supplied time series data on total sales aggregated for all of its stores in San Diego County over the three-year period from 1989 to 1991. To ensure the confidentiality of the data supplied, we are not including a table of sales and food stamp redemption volume for this chain. We do discuss its change in sales over the cash-out period.

⁴The data are for redemptions in a single month prior to partial cash-out. Although redemptions vary from month to month, it is unlikely that using a different month for the data would substantially affect the conclusions discussed in the text.

TABLE VIII.3
CHANGES IN SALES FOR SELECTED STORES IN CHAIN B
(Average Monthly Sales)

	Month Prior to Full Cash-Out	Two Months After Full Cash-Out	Reduction
Three Stores with Medium Sales Volume	\$817,000	\$803,000	\$14,000
Three Stores with Higher Sales Volume	\$1,185,000	\$1,076,000	\$109,000
Six Stores Combined	\$1,001,000	\$940,000	\$61,000
<hr style="border-top: 1px dashed black;"/>			
Average Monthly Food Stamp Volume per Store for the Six Stores ^a	\$37,000		

^aBased on food stamp redemption data prior to partial cash-out.

To examine the potential effects of cash-out, we computed the percentage change in sales between the eight-month period before full cash-out (January to August 1990) and the comparable period after full cash-out (January to August 1991).⁵ Because the chain provided detail by type of sales, it was possible to limit the analysis to food items covered by food stamps. The observed change in food sales was a reduction of 8.5 percent, consistent with the hypothesis that cash-out may have had a negative effect on sales.

As with Chains A and B, however, the reduction in sales was significantly larger than the food stamp coupon volume reported by stores in the chain prior to cash-out. In this case, the reported decline in sales was more than twice as large as previous food stamp redemptions. Some other influence must have caused all or some of the decline in sales. Because Chain C supplied data on all of its stores in the county, the selection of stores is apparently not a factor. We do not have sufficient information to determine whether the decline was due to changing economic conditions and/or to other influences.

d. Chain D

Chain D provided data on food sales for all of its San Diego County stores in the four-month period from July through October 1990--the transitional period between partial and full cash-out.

In contrast to the data provided by the other three chains, the information for Chain D shows no clear change in sales as of full cash-out (Table VIII.4). Sales were slightly lower in October 1990 than in September, but the difference was less than one percent of sales and was within the range of fluctuation observed in the months prior to cash-out. These data do not provide evidence that cash-out significantly affected sales. However, a negative impact of cash-out could have been masked by a positive effect on sales from some other factor.

⁵The results of the analysis would not be highly sensitive to the exact choice of analytical periods.

TABLE VIII.4**AVERAGE SALES VOLUME PER STORE FOR ALL STORES IN CHAIN D**

Date	Average Food Sales Volume (28-Day Period)
July 1990	\$1,340,000
August 1990	\$1,360,000
September 1990	\$1,360,000
October 1990	\$1,350,000

e. Wholesaler Data

The chain data were for two types of stores, supermarkets and convenience stores. They do not cover smaller grocery stores. To examine the possible effects of cash-out on this segment of the retail market, we obtained sales data from a major Southern California wholesale supplier of these stores. If cash-out affected retail sales for these stores, this effect would probably be reflected in wholesale sales.

Figure VIII.1 shows the wholesaler's average weekly sales to San Diego stores and other stores in Southern California (primarily in the Los Angeles area)⁶ during the period September 1989 to August 1991. In general, sales were quite flat in stores outside of San Diego, while the San Diego graph shows a slight downward trend.

To assess the potential effects of cash-out while controlling for the seasonality of food sales, we calculated the average sales in the September 1989 to August 1990 period of partial cash-out and compared them with sales during the September 1990 to August 1991 period of full cash-out. Average sales declined slightly in both San Diego County and other Southern California counties (see Table VIII.5). However, the decline was larger in the San Diego stores, with a differential of 2.8

⁶Our sample includes only stores with a full 104 weeks of nonblank sales data on the data file provided.

FIGURE VIII.1

AVERAGE WEEKLY SALES ACROSS ALL STORES, BY MONTH

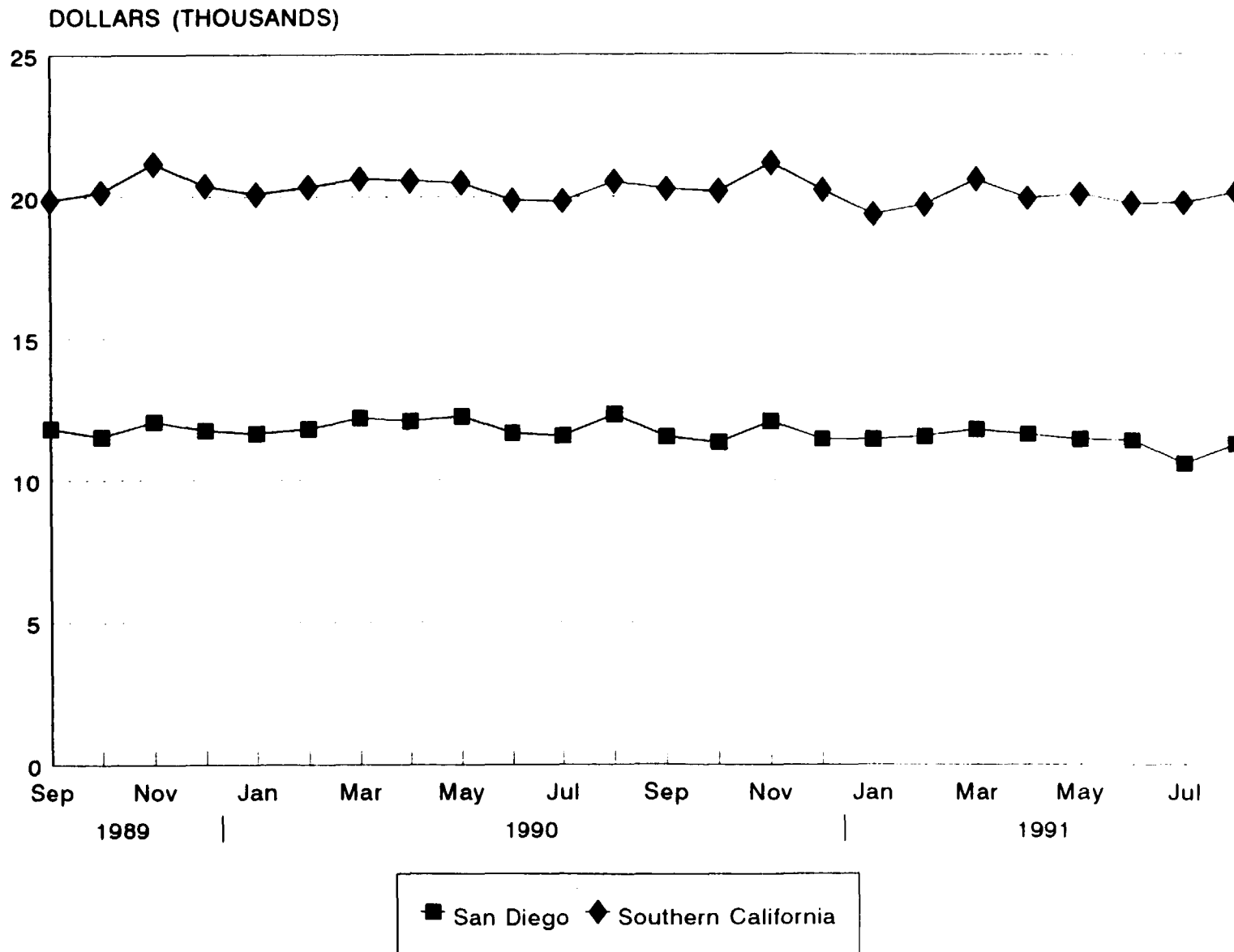


TABLE VIII.5
AVERAGE SALES--WHOLESALE DATA

	Sept. 1989 to Aug. 1990	Sept. 1990 to Aug. 1991	Difference
San Diego Stores	\$11,888	\$11,440	-3.9 %
Other Southern California Stores	\$20,338	\$20,108	-1.1 %

percentage points. Although many other factors could have caused this differential, it is consistent with the possibility that cash-out had a negative effect on sales.

f. Summary of Sales Data Analysis

For three of the four retailers discussed earlier, the data provided by the chains suggest that sales volume declined in stores with a high volume of food stamp use as of cash-out. However, the decline in sales in the relevant stores appears to have been considerably *larger* than the sales volume attributable to food stamps before cash-out. This pattern suggests that one or more factors other than cash-out led, at least in part, to the reported reductions.

Overall, the evidence from this analysis is inconclusive. The available information on retail sales is consistent with the hypothesis that cash-out could have reduced sales. Yet it does not provide strong evidence for the hypothesis, because the sales declines reported by stores are far larger than can be attributed to cash-out, suggesting that some other factor or factors may be at work. The wholesale data are also consistent with the possibility that cash-out may have had a negative effect on store sales. In particular, the fact that the wholesaler's average sales declined more in San Diego County than in other Southern California counties suggests this possibility. However, the information is insufficient for determining whether the observed differences are due in fact to cash-out or to other factors.

4. Summary of the Impact of Cash-Out on Sales

Overall, the weight of the available evidence suggests that cash-out probably had a negative effect on retail sales; however, the magnitude of the effect is unclear. The household survey, which found that cash-out reduced household expenditures on food, was based on the strongest research design. This finding implies that retail sales were probably adversely affected. The order-of-magnitude calculations presented in section B.1 suggest that the average effect on all retailers was probably about one half of one percent and almost certainly less than one percent.

More than half of the stores in the retailer survey believed that cash-out reduced their sales, with 30 percent reporting a large decline. Although the number reporting a reduction in sales is consistent with the household survey data, the percentage reporting a "large" decline is higher than one would expect, despite the fact that the effects of cash-out are likely to be distributed quite unevenly among stores due to variations in customer demographics. It seems likely that some of the store managers who reported large reductions were attributing to cash-out some reductions that were due to other factors.

Finally the retail and wholesale data are largely consistent with the hypothesis that cash-out had a negative impact on sales. The size of the apparent effects shown in some of these data sets suggests that these data, too, may be influenced by factors other than cash-out.

C. IMPACTS OF CASH-OUT ON THE PROFITS OF RETAIL STORES

Many food retailers, especially larger ones, reported that cash-out adversely affected their overall profits (sales revenue minus costs). Thirty-eight (38) percent of all retailers, accounting for 51 percent of food stamp redemptions, reported that cash-out had a negative impact on store profits (see Table VIII.6). For most retailers reporting a negative impact, the reduction was small: 28 percent of retailers (representing 28 percent of redemptions) reported a small decline in profits due to cash-out. Yet the 10 percent reporting a large reduction in profits accounted for 23 percent of food stamp redemptions. The majority of stores reported that cash-out did not reduce profits. Sixty-two (62) percent reported that profits either remained the same or increased somewhat. These stores accounted for 49 percent of food stamp redemptions.

The managers of smaller stores were more likely than the managers of supermarkets to report that cash-out reduced store profits. Forty percent (40) of smaller stores reported that cash-out reduced profits, compared with 32 percent of supermarkets (see Table VIII.6). When the results are weighted by food stamp redemptions, however, the managers of supermarkets reporting a reduction

TABLE VIII.6
RETAILERS' PERCEPTIONS OF THE IMPACT OF CASH-OUT ON STORE PROFITS

	Supermarkets	Smaller Stores ^a	All Stores
Weighted to Reflect All Stores			
Percentage of Stores Reporting:			
Increase in profits	8	9	9
Small increase	8	9	9
Large increase	0	0	0
Decrease in profits	32	40	38
Small decrease	22	30	28
Large decrease	10	10	10
Profits remained the same	60	51	53
Weighted to Reflect Food Stamp Redemptions			
Percentage of Stores Reporting:			
Increase in profits	7	10	8
Small increase	7	10	8
Large increase	0	0	0
Decrease in profits	53	46	51
Small decrease	27	33	28
Large decrease	26	13	23
Profits remained the same	40	44	41
Unweighted Sample Size	164	232	396

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

in profits accounted for 53 percent of supermarket redemptions, compared with 46 percent for smaller stores.

Retailers for which food stamps comprised a greater portion of their pre-cash-out sales were much more likely to report a reduction in profits than stores for which food stamps were less important. Seventy (70) percent of retailers for which food stamp sales comprised more than 10 percent of total sales reported that cash-out reduced profits, compared with 25 percent of retailers for which food stamp sales comprised less than 5 percent of total sales (see Table VIII.7).

D. IMPACT OF CASH-OUT ON RECIPIENTS' SHOPPING PATTERNS

Retailers perceived a shift in recipients' shopping patterns away from supermarkets and smaller stores toward nonfood stores (see Table VIII.8). Forty-three (43) percent reported that recipients shopped less at supermarkets under cash-out; 46 percent thought that recipients shopped less at grocery stores under cash-out. Forty-four (44) percent of retailers thought recipients shopped more at nonfood stores under cash-out.

The managers of supermarkets and smaller stores held fairly similar views about how cash-out changed the shopping patterns of food stamp recipients. Fifty-four (54) percent of the managers of supermarkets, accounting for 62 percent of supermarket food stamp redemptions, thought that recipients shopped more at nonfood stores under cash-out (see Table VIII.9). Forty-one (41) percent of the managers of smaller stores (representing 53 percent of the food stamp redemptions of smaller stores) held this view (see Table VIII.10). One difference between the managers of these two types of stores was that supermarket managers thought that recipients shopped more at convenience stores under cash-out. Forty-seven (47) percent of the supermarket managers (representing 39 percent of redemptions) reported that recipients shopped more at convenience stores under cash-out. Sixteen (16) percent of the managers of smaller stores (representing 29 percent of redemptions) held this view.

TABLE VIII.7

RETAILERS' PERCEPTIONS OF THE IMPACT OF CASH-OUT
ON STORE PROFITS

Reported Change in Store Profits	Food Stamps as a Percentage of Total Sales Before Cash-Out			
	Less than 5%	5 to 10%	More than 10%	Unknown ^a
Percentage of Stores Reporting:				
Increase in Profits	11	11	4	6
Small increase	11	11	4	6
Large increase	0	0	0	0
Decrease in Profits	25	42	70	16
Small decrease	22	27	45	16
Large decrease	3	15	25	0
Profits Remained the Same	64	47	26	74
Unweighted Sample Size	184	77	106	29

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aIncludes retailers that did not know or refused to report food stamp sales as a percentage of the store's total sales before cash-out.

TABLE VII.8
IMPACT OF CASH-OUT ON STAFFING, BY STORE TYPE

	Percentage of Stores	
	Weighted to Represent Stores	Weighted to Represent Food Stamp Redemptions
Supermarkets		
Increase in Staffing due to Cash-Out	1	2
Change in sales	0	0
Change in operations	1	2
Other reasons	0	0
Reduction in Staffing	16	28
Change in sales	11	22
Change in operations	3	3
Other reasons	2	3
No Change in Staffing due to Cash-Out ^b	83	70
Unweighted Sample Size	164	164
Smaller Stores^a		
Increase in Staffing due to Cash-Out	4 %	1 %
Change in sales	3	1
Change in operations	1	0
Other reasons	0	0
Reduction in Staffing due to Cash-Out	8	15
Change in sales	6	9
Change in operations	1	5
Other reasons	1	1
No Change in Staffing due to Cash-Out ^b	88	84
Unweighted Sample Size	232	232

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

^bStores reporting no change in staffing after the inception of cash-out or reporting a change in staffing not due to cash-out were classified as reporting no change in staffing due to cash-out.

TABLE VIII.9
 SUPERMARKET MANAGERS' PERCEPTIONS OF CHANGES IN RECIPIENT
 SHOPPING PATTERNS
 (Percentage of)

	How Often Do Recipients Shop at Store Type Under Cash-Out (Relative to Coupon System?) ^a				
Store Type	More	Less	Same	Don't Know	Total
Weighted to Reflect All Stores					
Supermarkets	9	51	30	10	100
Smaller Grocery Stores	21	41	34	4	100
Convenience Stores	47	26	23	4	100
Other Food Stores (such as Dairies or Butcher Shops)	12	44	39	5	100
Nonfood Stores	54	17	24	5	100
Weighted to Reflect Food Stamp Redemptions					
Supermarkets	9	51	37	3	100
Smaller Grocery Stores	22	43	29	6	100
Convenience Stores	39	31	24	6	100
Other Food Stores (such as Dairies or Butcher Shops)	17	46	30	7	100
Nonfood Stores	62	21	10	7	100

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aFor each type of store listed, retailers were asked whether they thought Food Stamp Program participants shopped more, less, or about the same amount at the stores under cash-out than they did under the coupon issuance system.

TABLE VIII.10

**SMALLER STORES' PERCEPTIONS OF CHANGES IN RECIPIENT SHOPPING PATTERNS
(Percentage of)**

Store Type	How Often Do Recipients Shop at Store Type Under Cash-Out (Relative to Coupon System)? ^a				Total
	More	Less	Same	Don't Know	
Weighted to Reflect All Stores					
Supermarkets	20	41	28	11	100
Smaller Grocery Stores	13	48	31	8	100
Convenience Stores	16	39	27	18	100
Other Food Stores (such as Dairies or Butcher Shops)	8	39	25	28	100
Nonfood Stores	41	14	19	26	100
Weighted to Reflect Food Stamp Redemptions					
Supermarkets	19	47	28	6	100
Smaller Grocery Stores	10	62	23	5	100
Convenience Stores	29	36	19	16	100
Other Food Stores (such as Dairies or Butcher Shops)	8	56	18	18	100
Nonfood Stores	53	10	20	17	100

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aFor each type of store listed, retailers were asked whether they thought Food Stamp Program participants shopped more, less, or about the same amount at the stores under cash-out than they did under the coupon issuance system.

IX. RETAILERS' CHECK-CASHING POLICIES AND THEIR IMPLEMENTATION

In assessing cash-out, one must consider whether using checks rather than coupons imposes a burden on Food Stamp Program participants when they attempt to cash their checks. Examining information on retailer check-cashing policies is useful in this respect, since many households depend on food stores for check-cashing services. The experiences of food stores in cashing checks are also of interest, in that they provide information on how the retailers themselves are affected by cash-out. This chapter draws on data from the retailer survey to examine these issues.

In analyzing store check-cashing policies, we again note that dual AFDC/food stamp households received both their AFDC payment and food stamp benefits in a single check. For this group, which includes approximately 83 percent of food stamp cases in San Diego, food stamps tend to constitute the *smaller* share of the overall benefit check. For instance, in 1990, a typical San Diego AFDC/food stamp household received \$600 to \$700 of AFDC monthly and between \$100 and \$150 in food stamps. Thus, the combined checks could be quite large, and larger households often received checks in excess of \$1,000.

A. HOW MANY RETAILERS ACCEPT CHECKS?

Less than half (44 percent) of the authorized food retailers in San Diego County cash FSP checks, but these stores account for nearly 90 percent of food stamp redemptions (see Table IX.1). Check acceptance varies by type of store. Nearly 80 percent of supermarkets cash FSP checks, compared with only 33 percent of smaller stores.

B. FOOD RETAILERS' CHECK-CASHING POLICIES AND PROBLEMS

The managers of the 146 supermarkets and 110 smaller stores who reported cashing FSP checks were asked several questions about their check-cashing policies: whether the store limited the amount that it would cash, and, if so, the amount; whether the store required that recipients make

TABLE IX.1
RETAILERS' CHECK-ACCEPTANCE POLICIES

	Check-Acceptance Policy		
	Cashes Food Stamp Checks	Does Not Cash Food Stamp Checks	Total
Percentage of All Stores			
Weighted to Reflect All Stores	44	56	100
Weighted to Reflect Food Stamp Redemptions	88	12	100
Unweighted Sample Size			(396)
Store Type			
Percentage of All Supermarkets			
Weighted to reflect all stores	79	21	100
Weighted to reflect food stamp redemptions	96	4	100
Unweighted sample size			(164)
Percentage of Smaller Stores			
Weighted to reflect all stores	33	67	100
Weighted to reflect food stamp redemptions	63	37	100
Unweighted sample size			(232)

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

a purchase to cash an FSP check, and, if so, the minimum purchase amount; whether they required identification to cash FSP benefit checks, and, if so, their type and number; and whether they charge fees to cash FSP benefit checks, and, if so, their amount. Retailers were also asked whether they experienced problems in cashing FSP checks, and whether their stores had accepted bad or fraudulent FSP checks.

1. Check-Cashing Policies

Limits on the Amount of the Check. Thirty-six (36) percent of retailers reported limiting the amount of the check they will cash (see Table IX.2). The limit for stores reporting one averaged \$616. Policies on check limits varied by type of store. Supermarkets were twice as likely as smaller stores to limit the size of the FSP checks they would cash (53 percent versus 24 percent). However, supermarkets with limits were willing to accept larger checks--an average maximum check of \$659, compared with \$550 among smaller stores.

Purchase Requirements. Twenty-eight (28) percent of check-cashing stores required that recipients make a purchase to cash their FSP checks. Fourteen (14) percent of stores had a minimum purchase amount, averaging \$26. Again, policies toward purchases differed somewhat between supermarkets and smaller stores. Supermarkets were slightly more likely than smaller stores to require a purchase (32 percent versus 25 percent), and were twice as likely as smaller stores to require a minimum purchase (20 percent versus 10 percent).

ID Requirements. More than 90 percent of all retailers that accept FSP checks always require that recipients show proper ID to cash their FSP checks. Ninety-seven (97) percent of supermarkets and 88 percent of smaller stores reported always requiring identification. Stores accepted a variety of IDs, but a California driver's license or California ID was the most common.¹ Some stores

¹Similar to a California driver's license, the Department of Motor Vehicles issues a California ID. But the California ID is for identification purposes only.

TABLE IX.2
RETAILERS' CHECK-CASHING POLICIES
(Of Stores that Accept FSP Checks)

Check-Cashing Policy	All Stores	Supermarkets	Smaller Stores ^a
Limits the Size of the FSP Check Cashed	36 %	53 %	24 %
Amount of Check Limit			
Mean	\$616	\$659	\$547
Median	\$550	\$625	\$500
Requires Purchase To Cash FSP Check	28 %	32 %	25 %
Requires Minimum Purchase To Cash FSP Check	14 %	20 %	10 %
Minimum Purchase Amount			
Mean	\$26	\$24	\$28
Median	\$10	\$10	\$10
Identification Required To Cash Check			
Yes, always	92 %	97 %	88 %
Yes, for nonregular customers	6 %	2 %	8 %
No	2 %	1 %	4 %
Kinds of Identification Accepted			
Store-issued check-cashing card	18 %	41 %	0 %
California driver's license	75 %	75 %	75 %
California ID	59 %	45 %	69 %
Military ID	24 %	23 %	25 %
Major credit card or bank card	6 %	5 %	6 %
Food stamp ID card	4 %	5 %	2 %
Social Security card	17 %	10 %	22 %
Thumbprint	2 %	1 %	3 %
Other	19 %	16 %	20 %
Number of Pieces of ID Required			
Mean	1.3	1.2	1.3
Median	1.0	1.0	1.0
Store Charges a Fee To Cash FSP Checks	39 %	12 %	59 %
Fee Charged To Cash Check (Percentage of the Check Value)			
Mean	1.01 %	0.98 %	1.02 %
Median	1.00 %	1.00 %	1.00 %
How Unspent Balance Is Returned			
Cash	95 %	98 %	93 %
Credit	2 %	1 %	2 %
Both	3 %	1 %	5 %
Unweighted Sample Size	256	146	110

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

required that recipients offer more than one ID to cash their benefit checks; however, most stores generally required only one.

Check-Cashing Fees. Thirty-nine (39) percent of FSP check-cashing stores charged a fee to do so. Smaller stores were much more likely to charge check-cashing fees (59 percent versus 12 percent among supermarkets). Stores typically charged recipients one percent of the face value of the benefit check.

2. Check-Cashing Problems

Running Low on Cash. About one quarter of FSP check-cashing stores reported that a cash-out-induced increase in their check volume made them run low on cash at least once (see Table IX.3). Supermarkets were more likely than smaller stores to have this problem (29 percent versus 20 percent). The increased check volume due to cash-out also made the stores keep more cash on hand. Thirty-nine (39) percent of FSP check-cashing stores reported increasing their cash on hand. Fifty-one (51) percent of supermarkets did so, compared with 30 percent of smaller stores. The stores that did not increase their cash on hand did so by an average of 19 percent.

Fraudulent Checks. Twenty (20) percent of stores reported cashing fraudulent or bad FSP checks (see Table IX.3). Of those that cashed bad FSP checks, most accepted two or three bad checks in a one-year period. Larger stores with a greater volume of FSP checks reported accepting as many as 50 bad checks during a year. The mean number of fraudulent checks accepted by retailers during the one-year reference period was five; the median number was two checks annually. The average annual dollar loss to stores accepting fraudulent checks was \$1,800; the median annual loss was \$1,500.

TABLE IX.3
RETAILERS' CHECK-CASHING EXPERIENCES

Check-Cashing Experiences	Supermarkets	Smaller Stores ^a	All Stores
Cashing FSP Checks Caused Store to:			
Run low on cash	29 %	20 %	24 %
Increase cash on hand	51 %	30 %	39 %
Store Increased Its Cash on Hand			
Mean	21.1 %	16.8 %	19.2 %
Median	10 %	15 %	10 %
Store Cashed Bad or Fraudulent FSP Checks			
Number of Bad Checks Cashed per Year			
Mean	7	4	5
Median	3	2	2
Total Dollar Loss per Year from Bad Checks Cashed			
Mean	\$2,090	\$1,650	\$1,790
Median	\$1,600	\$1,500	\$1,500
Unweighted Sample Size	146	110	256

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

X. FOOD RETAILERS' PREFERENCES FOR CHECK AND COUPON BENEFITS

The analysis in previous chapters examined the effects of cash-out on several individual aspects of retailer operations. The retailer survey obtained additional information on how retailers would be affected by cash-out with a series of questions that elicited the overall attitudes of retailers toward the demonstration policies. Answers to these questions provide summary measures of how retailers believe that they would be affected by the adoption of cash-out. Findings based on these survey questions are reported in this chapter.

A. RETAILERS' PREFERENCES FOR CHECKS VERSUS COUPONS

Forty-four (44) percent of the managers of food stores preferred food stamp coupons; 32 percent preferred checks; 24 percent had no preference (see Table X.1). When responses are weighted by food stamp redemptions prior to cash-out, managers representing 52 percent of redemptions preferred coupons. Those who preferred checks represented just 25 percent of food stamp redemptions, and those without a preference accounted for 23 percent of redemptions.

Preferences for coupon and check benefits differed somewhat by type of retail store. The preferences of supermarket managers were fairly evenly divided: 40 percent preferred food stamp coupons, and 37 percent preferred checks. Forty-six (46) percent of the managers of smaller stores preferred coupons; 30 percent preferred checks.

The percentage of retailers preferring coupons increased as the proportion of coupons comprising total sales prior to cash-out increased (see Table X.2). Seventy-five (75) percent of retailers whose food stamp sales comprised more than 10 percent of total sales prior to cash-out preferred coupons; 34 percent of retailers whose food stamp sales comprised less than 5 percent of total sales prior to cash-out preferred coupons (see Table X.2).

Not surprisingly, preferences were strongly related to the change in the total sales of a store under cash-out (see Table X.3). Eighty-two (82) percent of retailers reporting an increase in total

TABLE X.1
RETAILERS' PREFERENCES FOR CHECKS OR COUPONS

	Preference			Total
	Prefer Food Stamps	Prefer Checks	No Preference	
Percentage of All Stores				
Weighted to reflect stores	44	32	24	100
Weighted to reflect food stamp redemptions	52	25	23	100
Percentage of Supermarkets				
Weighted to reflect all supermarkets	40	37	23	100
Weighted to reflect food stamp redemptions	55	21	24	100
Percentage of Small Stores ^a				
Weighted to reflect all small stores	46	30	24	100
Weighted to reflect food stamp redemptions	44	35	21	100

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

TABLE X.2

**RETAILERS' PREFERENCES FOR CHECKS OR COUPONS, BY FOOD STAMP
REDEMPTIONS AS A PERCENTAGE OF SALES**

Preference	Food Stamps as a Percentage of Total Sales Before Cash-Out			
	Less than 5%	5 to 10%	More than 10%	Unknown ^a
Prefer Coupons	34 %	45 %	75 %	16 %
Prefer Checks	40 %	33 %	13 %	27 %
No Preference	26 %	22 %	12 %	57 %
Total	100 %	100 %	100 %	100 %
Unweighted Sample Size	184	77	106	29

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aIncludes retailers that did not know or refused to report food stamp sales as a percentage of a store's total sales before cash-out.

TABLE X.3
RETAILERS' PREFERENCES FOR CHECKS VERSUS COUPONS,
BY CHANGE IN TOTAL SALES AND STORE TYPE
(Weighted to Reflect Stores)

Change in Total Sales	Preference			Total	Unweighted Sample Size
	Prefer Food Stamp Coupons	Prefer Checks	No Preference		
Percentage of All Stores					
Increase	3	82	15	100	(39)
Decrease	74	14	12	100	(162)
No change	31	36	33	100	(192)
Percentage of Supermarkets					
Increase	14	74	12	100	(16)
Decrease	82	8	10	100	(59)
No change	22	47	31	100	(89)
Percentage of Smaller Stores ^a					
Increase	0	85	15	100	(23)
Decrease	72	15	13	100	(103)
No change	34	32	34	100	(103)

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

^aSmaller stores include grocery stores, convenience stores, specialty stores, and other small food stores.

sales due to cash-out preferred FSP checks, whereas 74 percent of retailers reporting a reduction in total sales due to cash-out preferred FSP coupons. Stores that reported no change in total sales due to cash-out had a slight preference for check benefits: 36 percent of those stores preferred checks, and 31 percent preferred coupons. Of the two types of stores reporting no change in sales due to cash-out, supermarkets were much more likely than smaller stores to prefer checks: 47 percent of the supermarkets preferred checks, and 22 percent preferred coupons. Smaller stores not affected by cash-out were much more evenly split: 32 percent preferred checks, and 34 percent preferred coupons.

B. REASONS FOR PREFERENCES

1. Reasons for Preferring Coupons

Retailers were asked why they preferred one issuance method over the other, distinguishing the most important reason from other reasons. Retailers that preferred food stamp coupons largely cited the negative impact of cash-out on store sales of food items (see Table X.4). Sixty-four (64) percent of food retailers preferring coupons, representing 77 percent of the food stamp redemptions of food retailers prior to cash-out, said that their food sales were higher under the coupon issuance system. Retailers that preferred coupons were also concerned that people might "misuse" cash benefits by spending less on food, and thus go hungry. Eighteen (18) percent of retailers that preferred coupons cited the potential misuse of FSP cash benefits as a reason for their preference. The most important reason given by retailers for preferring coupons was that store food sales were higher under the coupon issuance system (see Table X.5). Fifty-seven (57) percent said that they preferred coupons because store food sales were higher with coupons than with checks.

2. Reasons for Preferring Checks

Retailers that preferred food stamp checks cited reasons related to the effect of cash-out on store operations and staffing (Table X.4). Seventy-one percent of food retailers preferring checks,

TABLE X.4

RETAILERS' REASONS AND MAIN REASON FOR PREFERRING COUPONS

	Percentage of Stores	
	Weighted to Reflect Stores	Weighted to Reflect Food Stamp Redemptions
Reasons for Preferring Coupons		
Store profits higher	9	12
Store sales higher overall	5	12
Store food sales higher	64	77
Less cash needed for change	4	13
Less staff time needed to handle coupons	5	2
Less staff training needed	1	0
Less time in checkout line	1	1
Recipients prefer coupons	1	1
Less fraud with coupons	8	2
Misuse of cash benefits	18	19
Other	6	6
Unweighted Sample Size	176	176
Main Reason for Coupon Preference		
Store profits higher	5	6
Store sales higher overall	4	4
Store food sales higher	57	69
Less cash needed for change	1	7
Less staff time needed to handle coupons	5	0
Less staff training needed	1	0
Less time in checkout line	1	1
Recipients prefer coupons	1	0
Less fraud with coupons	8	1
Misuse of cash benefits	12	11
Other	6	1
Total	100	100
Unweighted Sample Size	176	176

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

NOTE: Percentages total more than 100 percent because retailers could give multiple responses.

TABLE X.5

RETAILERS' REASONS AND MAIN REASON FOR PREFERRING CHECKS

	Percentage of Stores	
	Weighted to Reflect Stores	Weighted to Reflect Food Stamp Redemptions
Reasons for Preferring Checks		
Store profits higher	1	1
Store sales higher overall	7	5
Store nonfood sales higher	2	3
Less cash needed for change	2	3
Less staff time needed to handle checks	71	69
Less staff training needed	10	4
Less time in checkout line	28	26
Don't have to monitor purchases	6	6
Facilitates banking	4	5
Recipients prefer checks	18	15
Less fraud with checks	16	9
Misuse of coupon benefits	1	0
Other	6	12
Unweighted Sample Size	120	120
Main Reason for Check Preference		
Store profits higher	1	0
Store sales higher overall	7	5
Store nonfood sales higher	1	1
Less cash needed for change	1	0
Less staff time needed to handle checks	62	59
Less staff training needed	3	1
Less time in checkout line	10	10
Don't have to monitor purchases	2	4
Facilitates banking	1	0
Recipients prefer checks	5	6
Less fraud with checks	4	3
Misuse of coupon benefits	1	0
Other	4	11
Total	100	100
Unweighted Sample Size	120	120

SOURCE: Evaluation of the San Diego Food Stamp Cash-Out Demonstration, Retailer Survey, weighted tabulations.

representing 69 percent of food stamp redemptions prior to cash-out, said they preferred checks because less staff time was necessary to handle and reconcile FSP benefits. Twenty-eight (28) percent of retailers that preferred checks mentioned less time in the checkout line. Retailers that preferred food stamp checks also cited reasons related to recipients--18 percent believed that recipients preferred checks because they reduce the stigma of program participation or give recipients greater choice. Sixteen (16) percent of retailers said that they preferred checks because they were less conducive to fraud.

When asked to give the most important reason for preferring checks, 62 percent of the retailers preferring checks said that handling the checks required less staffing.

XI. SUMMARY AND CONCLUSIONS

Whether issuing food stamp benefits in the form of checks would be preferable to coupons has long been debated. The discussion has focused largely on how switching to checks would affect the administrative effectiveness of the FSP and its ability to achieve its programmatic aims. Several issues have been paramount in the debate--the costs to the program, vulnerability to fraud, and effects on food expenditure patterns.

Proponents of cash-out argue that checks are a more efficient and thus less expensive way to issue food stamp benefits, and that they are a more secure form of benefits, less subject to fraud and other losses. In addition, cash-out is advocated as a way to reduce the stigma associated with using coupons in store checkout lines.

However, the cash-out critics suggest that, by weakening the linkages between food stamp benefits and food expenditures, cash-out could divert food stamp benefits away from food expenditures. Thus, the ability of the program to achieve its fundamental objective--to help program participants obtain nutritious diets--would be compromised. Too, lower expenditures, it is argued, could have detrimental effects on food retailers by reducing their food sales.

The San Diego Food Stamp Cash-Out Demonstration was implemented simultaneously with three other cash-out demonstrations to respond to these arguments and issues. The objective of this set of FNS-sponsored projects was to determine not only *whether* the expected effects occurred but also the *magnitude* of the effects, so that policymakers could draw together several strands of findings to make the complex tradeoffs involved in establishing food stamp issuance policy.

This report has focused on the effects of the San Diego demonstration on *administrative outcomes* and on *retailers*. It complements an earlier report on the effects of cash-out on participants in the San Diego demonstration (Ohls et al. 1992). The discussion in this chapter first summarizes the results of the earlier study and then focuses on the two sets of findings from the current report.

Throughout, key findings from the other demonstrations are also discussed in the context of these policy issues. A concluding section discusses the policy tradeoffs between administration efficiency and programmatic goals.

A. THE EFFECTS ON PARTICIPANTS: FOOD EXPENDITURES, NUTRIENT AVAILABILITY, AND PREFERENCES

The evidence from the San Diego Food Stamp Cash-Out Demonstration suggests that cash-out tends to reduce expenditures on food. In San Diego, cash-out reduced the food expenditures of recipients by an estimated 6 to 8 percent. Furthermore, two of the other three demonstrations also yielded evidence of reductions in food expenditures. In the Washington FIP demonstration, expenditures for food used at home declined by approximately 16 percent.¹ In the Alabama ASSETS demonstration, food expenditures were 23 percent less among the cash-out group than among a comparison group, although the researchers caution that not all of that difference may be due to cash-out, given evidence that the comparison counties may have differed from the cash-out counties prior to the demonstration. Only in the "pure" cash-out demonstration in Alabama did the evaluation fail to find a statistically significant negative effect of cash-out on food expenditures.

The available evidence also suggests that, with the decline in food expenditures, the nutrient availability among cash-out participants also declined. In San Diego, small but statistically significant reductions of about 5 percent were observed in the availability of both food energy and protein; slightly smaller but statistically significant reductions were also observed for two of the seven

¹Estimates are based on analyses of food expenditures (expenditures on purchased food) scaled by "adult male equivalents," a measure of household size. Sources for the Alabama and Washington State results are Davis and Werner (1993) and Cohen and Young (1993), respectively. In the Washington FIP demonstration, there was a substantial (though not statistically significant) increase in nonpurchased food used at home, so that the decline in the money value of all food used at home was 10 percent. Taking nonpurchased food into account does not substantially affect the estimates for the San Diego and Alabama "pure" cash-out demonstration. Comparable data are not available for the Alabama ASSETS demonstration.

micronutrients examined. Similar results were obtained in the FIP evaluation. However, no effects on nutrient availability were observed in the "pure" Alabama demonstration.²

While food expenditures were generally lower under cash-out, the demonstration findings yield mixed evidence about whether cash-out recipients were more likely than coupon recipients to experience acute food shortages in their household. In three of the four demonstrations, check and coupon recipients gave similar answers to a series of survey questions about household food adequacy; in general, the answers did not show that cash recipients tended to have less adequate food supplies than did coupon recipients. However, in the fourth demonstration, Alabama ASSETS, cash-out households were more likely to skip meals because they had a shortage of food.

The evidence from a series of focus groups in San Diego and in the randomized Alabama demonstration and from responses to survey questions in Alabama ASSETS is that most program participants who have used both issuance systems tend to prefer cash-out. In particular, they believe that checks give them greater spending flexibility and a wider range of stores to choose from, and cause them less embarrassment in using food stamp benefits.

B. EFFECTS ON RETAILERS: SALES, OPERATIONS, AND PREFERENCES

Due to data limitations, our analysis of the effects of cash-out on retailers is less conclusive than the analysis of its effects on participants. Yet the available information suggests that cash-out probably had at least some negative effects. The majority of San Diego retailers who responded to a survey reported that cash-out had reduced their sales of food items--a finding supported by the household expenditure findings summarized earlier. The limited amount of store sales data provided by the San Diego retailers are also consistent with the hypothesis that sales fell after cash-out was introduced. Similar survey findings on the experience of retailers were obtained in the Alabama ASSETS evaluation, the only other cash-out study that included a retailer survey.

²Data for examining nutrient availability were not collected in the Alabama ASSETS study.

Partially offsetting the negative impact on stores from a decline in sales was that cash-out enabled stores to streamline their store operations somewhat. The majority of stores reported that cash-out reduced the amount of time that staff had to spend on one or more aspects of store operations, such as customer checkout and bank deposit preparation. However, this favorable effect on store operations was apparently not sufficient to offset the perceived negative effect of cash-out on sales, since a majority of retailers who expressed an opinion preferred the coupon system to cash-out. Data on store operations gathered in the Alabama ASSETS evaluation are consistent with these San Diego findings.

C. ADMINISTRATIVE OUTCOMES: ISSUANCE COSTS AND VULNERABILITIES

The cash-out demonstrations provide conclusive evidence that cash-out can reduce issuance costs substantially. The findings from the San Diego demonstration show an estimated potential reduction of \$2.52 in local, state, and Federal pre-issuance costs. Similarly, the Washington State FIP evaluation imply an estimated savings of approximately \$2.35 from cashing out the full food stamp caseload.³ Estimates for the randomized Alabama demonstration place savings at approximately \$1.02 per issuance.⁴ If savings of these magnitudes are extrapolated to the national caseload, they imply potential cost savings of more than \$200 million annually.

Similarly, evidence from the demonstrations suggests that, under some administrative systems, cash-out can reduce the vulnerability of the issuance system to fraud and other losses. In the pre-cash-out period in San Diego, issuance system losses were on the order of \$22,000 monthly. In the months after the switch to full cash-out, losses fell to approximately \$1,000 monthly. In Alabama, issuance losses actually rose somewhat after cash-out. However, it appears that this increase was due

³The authors of the FIP estimate a savings of \$1.84 in the costs incurred at the local and state levels. The figure in the text is this estimate plus an estimated \$0.51 of Federal-level costs, as detailed earlier in Chapter III.

⁴Administrative cost findings are not yet available for the fourth demonstration, Alabama ASSETS.

to the fact the Alabama demonstration incurred high mail issuance losses as it introduced cash-out, and was not due to the use of checks per se. The evaluations of the other two demonstrations do not provide information on the impacts of cash-out on issuance losses.

D. POLICY TRADEOFFS: ADMINISTRATIVE EFFICIENCY VERSUS PROGRAMMATIC GOALS

Taken together, the findings herein confirm the tradeoffs associated with determining Food Stamp Program issuance policy. Based on the findings of the demonstrations, there is no doubt that cash-out can generate considerable administrative cost savings. Furthermore, if the choice of mail versus over-the-counter issuance is ignored for the moment, it is likely that checks can also reduce the vulnerability of the system to fraud and other losses.

However, the evidence strongly suggests that these administrative advantages would compromise the program's effectiveness at helping families obtain nutritious diets. While the size of the estimated effects differed across demonstrations, three of the four demonstrations found that cash-out recipients significantly reduced their expenditures on food--and that, to a lesser extent, these lower food expenditures reduced their nutrient availability.

But assessing the effects of cash-out is complicated by still other factors. Evidence from the demonstrations suggests that, on balance, the majority of retailers believe that cash-out made them worse off, despite the fact that it enabled them to achieve some operational streamlining. Yet most recipients who used both issuance systems preferred checks. Moreover, while observed food expenditures were lower under cash-out, cash-out recipients were not more likely than coupon recipients to report acute shortages of food in their households.

Overall, the findings from the cash-out demonstrations provide extensive information on the nature of the tradeoffs among these competing objectives. They suggest that cash-out would improve the Food Stamp Program along some dimensions but lower its effectiveness along others. The challenge now facing policymakers is determining the appropriate balance among these administrative and programmatic goals.

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APPENDIX A

**THE IMPLEMENTATION AND RESOURCE COSTS OF
THE DEMONSTRATION**

The body of the report discusses the impacts of the San Diego demonstration on such administrative outcomes as issuance costs and the vulnerability of the issuance system to fraud and error. However, it is also useful to document the *processes and resource costs* used to implement the demonstration. This appendix serves as a brief set of guidelines for the types of procedural issues and resource costs that might be encountered by other states or counties as they implement cash-out in the future.

A. MAJOR STEPS IN IMPLEMENTING THE DEMONSTRATION

The San Diego County Department of Social Services (DSS) was interested in the idea of cash-out throughout most of the 1980s but for most of that period was unable to obtain federal approval to implement a check issuance system. During the summer of 1988, DSS staff became aware that the federal government might be receptive to a waiver proposal involving cash-out. Internal discussions of cash-out at a conceptual level began within the department, which led to a decision to approach the federal government with a cash-out proposal.

Developing and implementing the demonstration involved two major sets of related activities. First, a detailed set of negotiations between DSS and the relevant state and federal agencies were necessary to obtain their approval for conducting the demonstration. Second, the specific procedural changes necessary to operationalize check issuance had to be developed. These two sets of activities were closely related. What could be agreed to in the negotiations depended on what was feasible and efficient from an operational standpoint, but the operational details that were developed were influenced by the needs and interests of the federal and state agencies involved in the negotiations.

During fall 1988, DSS officials met several times with representatives of the California State Department of Social Services, the Food and Nutrition Service (FNS) of the U.S. Department of Agriculture, and the federal Low Income Opportunity Advisory Board (LIOAB). The latter was a federal interagency group formed to facilitate the development and approval of state welfare reform initiatives.

Initially, the discussions involved a demonstration that would include changes in several aspects of DSS's low-income assistance programs. As the talks evolved, it seemed doubtful that the broader initiative of DSS could achieve cost neutrality, which was required for actions taken under the LIOAB framework. A decision was made to focus more narrowly on the cash-out concept, and the LIOAB dropped out of the discussions.

During the subsequent nine months, the concept evolved and was summarized in an agreement among DSS, FNS, and the state in late May 1989, culminating in the actual implementation of the demonstration on July 1, 1989. During this period, several drafts of the final operating agreement were prepared and reviewed.

The following tasks were involved in finalizing plans for the demonstration:

- Developing and submitting required waiver material
- Revising the automated data processing system
- Developing policy and procedures
- Developing a technical assistance process
- Publishing administrative rules
- Developing management reports and internal review processes
- Training DSS staff
- Notifying food stamp recipients of the change in the benefit form
- Informing welfare-rights groups of the scope and objectives of the project
- Informing retailers of the scope and objectives

1. Issues and Problems During the Planning Process

Overall, San Diego officials believe the demonstration planning and implementation process went quite smoothly. Nevertheless, several time-consuming issues arose. It is useful to identify these issues as a guide for other agencies that may be interested in the cash-out concept:

- ***Whether to Use One or Two Checks for Joint AFDC/Food Stamp Cases.*** Initially, FNS officials favored separate checks for AFDC and food stamps to account for food stamp funds more directly and to help make clear to participants that the checks were meant as food benefits. DSS, however, preferred combining checks for operational simplicity, and this course was ultimately adopted.
- ***Transferring Funds to the County.*** Both the state and the county preferred that FNS transfer funds directly to the county. However, FNS policy was to deal only with state agencies, not with counties. As the procedure finally adopted, the federal government transferred funds to the state, which then conveyed them to the county.
- ***Computer Glitches.*** The only problems when cash-out was actually implemented were some relatively minor computer glitches. For instance, the code initially used to identify cash-out cases was also being used by a different program. These glitches were rectified within the first month or two.

2. Notifying the Public and Retailers

The public and retailers were consulted and kept informed of the demonstration in the following ways:

- ***Board of Supervisors Meetings.*** Public hearings on the Food Stamp Cash-Out Demonstration proposal were held on November 22, 1988, December 13, 1988, and January 24, 1988. The proposal was well received by the board and met no opposition from the community.
- ***Public Welfare Advisory Board.***¹ Plans for the project were presented to the Public Welfare Advisory Board, which voted unanimously to recommend that the San Diego County Board of Supervisors enter into negotiations with USDA-FNS to implement food stamp cash-out.
- ***Meetings with Client Advocacy Groups.*** The major client advocacy groups--the Welfare Rights Organization and the Legal Aid Society--were given copies of the demonstration proposal and asked to give their comments on and/or raise concerns about the project.
- ***Press Releases.*** A fact sheet describing the scope, goals, and timetable of the demonstration was released to the local print and electronic media for partial cash-out; a similar release was done for full cash-out.
- ***Mailings to Authorized Food Retailers.*** Written notification of the scope, goals, and implementation timeline for the cash-out demonstration was sent to authorized retailers prior to partial cash-out; similar mailings were done for full cash-out.

¹Elected county supervisors appoint individuals interested in community service to represent their districts on the board. DSS staff present key issues to this board prior to implementing any changes. Members review the possible effects of proposed policy changes on their communities and vote to recommend or not to recommend the policy changes.

B. STAFFING RESOURCES AND DSS COSTS FOR DEVELOPMENT AND IMPLEMENTATION

1. Staffing Resources

DSS identified a lead staff member to take overall responsibility for coordinating demonstration-related activities, developing the required procedural changes, and drafting written materials on demonstration policies. This person, a project analyst within DSS's Income Maintenance Bureau, spent approximately 70 percent of his time on the demonstration from October 1988 to August 1989.

The demonstration coordinator was assisted as necessary by several other members of DSS, some of them senior officials within the organization. The assistant deputy director of DSS provided senior management oversight on an ongoing basis and participated directly in developing the new procedures. Overall, she spent approximately 20 percent of her time on the project during the relevant period. Senior oversight was also provided by the acting deputy director of DSS, who devoted approximately 10 percent of her time to the project.

A DSS automation coordinator allocated approximately 10 percent of her time between March and August 1989 to help identify changes that the DSS computer systems would require to effect the demonstration changes and to write specifications for these changes. Many of these changes were implemented by DSS's external computer software vendor, Alpha Beta Associates. Some computer work was done internally by a senior systems analyst, who spent approximately 20 percent of her time during this period on this work.

Finally, the director of DSS's Fiscal Division became involved in developing procedures for conveying funds to cover the checks to the county. She was also involved in discussions about the check reconciliation process. Altogether, she spent approximately 10 percent of her time on demonstration-related work between March and August 1989.

2. DSS Resource Costs

Table A.1 lists the main resource costs incurred by DSS to develop and implement the demonstration. As shown in the table, labor-related costs were the major cost category. The only other substantial cost was payment to DSS's computer software vendor for changing the computer systems necessary to operate the demonstration procedures. Including both staff and other costs, the total resources required to implement the demonstration are estimated to be approximately \$124,000.

TABLE A.1

STAFF TIME AND COSTS FOR IMPLEMENTING THE DEMONSTRATION

Senior Personnel: Work Months	
Demonstration Coordinator	7.7
Assistant Deputy Director of DSS	2.2
Acting Deputy Director of DSS	1.1
Automation Coordinator	.6
Senior Systems Analyst	1.1
Finance Officer, Fiscal Division	.6
Total Months	13.3
Approximate Salary and Fringe Cost ^a	\$63,000
Supervisory and Line Staff for Training: Hours	
Eligibility Supervisors	45
Eligibility Workers	409
Senior Clerks	45
Clerks	24
Total Hours	523
Total Salary and Fringe Cost	\$7,000
Other Costs	
Computer Programming Vendor	\$53,000
Mailings to Retailers	\$1,000
Total Other Costs	\$54,000
<hr/>	
Total Cost of Implementation	\$124,000
<hr/>	

^aBased on hourly salary and benefit data supplied by DSS. Assumes 160 work hours per month.

APPENDIX B
DERIVATION OF ISSUANCE COST
ESTIMATES

This appendix documents the cost estimates summarized in Table III.1, which presents estimates of the costs associated with food stamp coupon and check issuance as of partial conversion to cash-out in July 1989. Much of the information was derived from a spreadsheet supplied to MPR by the San Diego Department of Social Services (DSS), in a letter dated April 4, 1991, with supplements provided on October 3 and October 8, 1991. That spreadsheet appears as Exhibit B.1. In some instances, estimates in the spreadsheet have been modified to reflect information gained through direct interviews with DSS staff.

A. COSTS OF CENTRAL COUNTY DSS STAFF PER COUPON ISSUANCE

The direct labor cost of the Food Stamp Issuance Center for the six-month period ending June 1989 was \$151,735. (See Exhibit B.1, Item 9.) Dividing this figure by 284,567 food stamp issuances during the period (Item 1) yields .53 cents per issuance.

B. COSTS OF CENTRAL COUNTY DSS STAFF PER CHECK ISSUANCE

The direct labor cost for the Warrant Control Unit, which performed issuance oversight functions similar to those for checks, was \$87,375 (Item 10). Based on calculations analogous to those for the previous item, the cost was .13 cents per check. (This average comes from dividing by the number of assistance checks issued under the supervision of the Warrant Control Unit. Most of these assistance checks were for AFDC.)

C. COSTS OF LOCAL OFFICE CASEWORKER STAFF PER ISSUANCE

Local office caseworker staff are involved in issuance in two main ways: (1) dealing with issuance problems, and (2) dealing with issuances to the homeless. Estimates of the costs of each are discussed below.

Dealing with Issuance Problems. In our calculations, we assumed that caseworker staff spend 20 minutes on dealing with the average issuance problem. The DSS calculations in Exhibit B.1 estimate this number at 10 minutes. (See the ".166667" factor under Item 11.) However, based on

EXHIBIT B.1

SAN DIEGO COUNTY ISSUANCE COST WORKSHEET

The 5 pages of this exhibit following this introductory page display a worksheet on issuance costs prepared by the San Diego County Department of Social Services (DSS). As detailed in the body of Appendix B, this worksheet provided the source of several of the parameters used to estimate issuance costs under the alternative issuance systems. Following is a list of the items in the exhibit and the type of information they contain:

Item	Information in Item
1.	Volume of check and coupon issuances
2.	Cost of paper for printing checks
3.	Cost of forms used in the food stamp issuance process
4.	Cost of envelopes for both checks and coupons
5.	Printing costs for checks
6.	Labor and machinery costs billed to DSS for check-printing processes
7.	Labor billed to DSS for reconciling transacted checks
8.	Bank costs per check
9.	Central office issuance staff costs for food stamp coupons
10.	Central office issuance staff costs for checks
11.	Local office staff costs for dealing with issuance problems
12.	Clerical costs for immediate needs issuances
13.	Postage costs for initial issuances
14.	Postage costs for remailing
15.	Armored car service costs for coupons
16.	Storage services for coupons
17.	Space costs for central office coupon issuance staff

FOOD STAMP / WARRANT COST

1. <u>VOLUME DATA WARRANTS</u>	<u>1/89-6/89</u>	<u>7/89-12/89</u>	<u>TOTAL</u>
CDS Warrants:	631,811	629,713	1,261,524
Immediate Warrants:	60,970	64,915	125,885
Warrants Returned/Held	25,049	29,429	54,478
Warrants Rемаiled	12,301	13,506	25,807
 <u>FOOD STAMPS</u>			
CDS Food Stamps:	262,819	226,064	488,883
Immediate Food Stamps	21,748	18,338	40,086
Food Stamps Returned/ Held	14,257	13,614	27,871
Food Stamps Rемаiled	2,854	1,515	4,369
 2. <u>WARRANT STOCK</u>			
Cost Per Warrant (A&C Stock)	0.013	0.013	0.013
 3. <u>NOTICE OF FOOD STAMP AUTHORIZATION</u>			
Continuous Form	0.003270	0.003270	0.003270
Immediate Issue Form	0.0096702	0.0096702	0.0096702
 4. <u>ENVELOPES</u>			
Cost Per Envelope	0.014654	0.014654	0.014654
 5. <u>EDP PRINTING</u>			
7-Line Warrant	0.004620	0.004620	0.004620
 6. <u>AUDITOR MAILING</u>			
Per Warrant	0.014077	0.014077	0.014077

Food Stamp/Warrant Cost cont.

7. <u>AUDITOR RECONCILIATION</u>	<u>1/89-6/89</u>	<u>7/89-12/89</u>	<u>TOTAL</u>
Per Warrant	0.130	0.130	0.130
8. <u>TREASURER CHARGES</u>			
Per Warrant	0.150001	0.150001	0.150001
9. <u>FOOD STAMP ISSUE COST</u>			
Personnel Cost of 13.0 Full Time Equiv.	151,735	158,547	310,282
CDS Food Stamp Issued	262,819	226,064	531,732
Food Stamps Cash-out	0	42,849	
Cost Per CDS Food Stamp	0.577336	0.589585	0.583531
10. <u>WARRANT CONTROL COST</u>			
Personnel Cost of 7.5 Full Time Equiv.	87,375	87,374	174,749
Warrants Issued/ CDS & Immediate	692,781	694,628	1,387,409
Cost Per Warrant	0.126122	0.125785	0.125953
11. <u>IME BA (ET) COST (1989 ADMINISTRATIVE CLAIMS)</u>			
Total BA S&B Cost	13,152,649	13,326,335	26,478,984
Full Time Equivalents	1,010.03	1,010.03	1,010.03
Full Time Hours per BA	1.040	1,040	2,080
Support Cost Ratio Admin. Claim	0.87	0.87	0.87
Time to Process Returned/ Held Warrants	0.166667	0.166667	0.166667
Cost for Returned/ Held Warrants	97,752	116,362	154,309
Warrants Held/Returned	25,049	29,429	54,478
CDS Warrants	631,811	629,713	1,261,524

IMB ET Cost

Line 209 24,990.308 /yr
 Line 212 46,731,875.96 (w/ .87 0/H)
 Line 214 x 0.083333 time to do ret/held warr
\$ 3,894,307.42 cost/yr to do ret/held warr
 Total FTE Hrs 1,978,288.00 ÷ Total Hrs/yr x FTE 2080 x 951.10 (Line 210 x 211 x 213)

= 1.968524 /hr for held/ret item
 Line 216 49.634 x # of ret/held warr/yr
 Line 217 = \$ 97,705.720216

Warrant Cost - CDS Issued: 49.634 ret/held CDS warr
 1,272,481 CDS issued warr (Page 3) Line 75
 = 0.39006
 x 1.968524
 Line 218 0.076784

F/S Cost-CDS Issued: \$ 1.968524
 x 31.120
 61,260.466880

Line 221 FS Held/Ret 31.120
 Line 193 FS Total Issues (Page 5) 510,900 = .060912
 x 1.968524
 Line 223 0.119901 /cost per CDS F/S

IMB Clerical Cost: 4,433,868 x .25 = 1,108,467
 435,968 = 2.542542 Line 235
 (209.6 x 26 x 80 = 435,968.00)

FOOD STAMP/WARRANT COST

	<u>1/89-6/89</u>	<u>7/89-12/89</u>	<u>TOTAL</u>
11. <u>Continued</u>			
TOTAL BA S&B Cost			\$ 25,478,984
@ .87 O/H			49,515,700
Divided by BA (ET) FTE Hrs 1010.03 x 2080			2,100,862.40
BA (ET) Time for Held/Returned Item			0.166667
Cost per Hour of Held/Returned Item	<u>8,252,633.17</u>		
	2,100,862.40		= 3.93
Warrants Held/Ret.	<u>54,478</u>		
TOTAL CDS Warrants	<u>1,261,524</u>	= 0.043184	
Cost Per Held/Ret Warrant		x 3.93	= 0.169713
Food Stamps Held/Ret	<u>27,871</u>		
TOTAL CDS Food Stamps	<u>488,883</u>	= 0.057010	
Cost per Held/Ret. Food Stamp		x 3.93	= 0.224049
12. <u>IMB Clerical Cost (1989 Admin. Claims)</u>			
	<u>1/89-6/89</u>	<u>7/89-12/89</u>	<u>TOTAL</u>
IMB Clerical S&B Cost	2,212,151	2,707,819	4,919,970
Full time equivalents	264.2	264.2	264.2
Pay Periods	13	13	26
Hours per pay period	80	80	80
Time to process held/ret items	0.2500 hr	0.2500 hr	
Cost per Immediate issuance			
4,919,970 x .25	= <u>1,229,993</u>		
	549,536	= 2.238239	
(264.2 x 26 x 80 = 549,536 hrs)			

FOOD STAMP/WARRANT COST

NOTES (CONTINUED):	<u>1/89-6/89</u>	<u>7/89-12/89</u>	<u>TOTAL</u>
13. <u>POSTAGE</u>			
Cost per CDS warrant:	<u>0.210000</u>	<u>0.210000</u>	<u>0.210000</u>
Food Stamps:			
Total postage 1/1/89-6/30/89	281,073	222,353	503,426
CDS food stamps:	262,819	226,064	488,883
Cost per CDS food stamp:	<u>1.069455</u>	<u>0.983584</u>	<u>1.029747</u>
14. <u>REMAILING</u>			
Warrants remailed:	12,301	13,506	25,807
Remailing cost:	2,583	2,836	5,419
Cost per CDS warrant:	<u>0.004088</u>	<u>0.004504</u>	<u>0.004296</u>
Food stamps remailed:	2,854	1,515	4,369
Remailing cost:	3,052	1,490	4,542
Cost per CDS food stamp:	<u>0.011613</u>	<u>0.006591</u>	<u>0.009291</u>
15. <u>ARMORED CAR SERVICE</u>			
Contract cost:	1,260	1,260	2,520
Cost per CDS food stamp:	<u>0.004794</u>	<u>0.005574</u>	<u>0.005155</u>
16. <u>FOOD STAMP STORAGE</u>			
Contract cost:	4,500	4,500	9,000
Cost per food stamp issued:	<u>0.015813</u>	<u>0.018412</u>	<u>0.017014</u>
17. <u>SPACE COST (ADMINISTRATIVE CLAIMS)</u>			
Space cost:	22,064	22,064	44,128
Cost per CDS food stamp:	<u>0.083951</u>	<u>0.097601</u>	<u>0.090263</u>

notes from interviews conducted with caseworker supervisors in each of eight San Diego County food stamp offices during May 1990, supplemented with additional interviews in December 1991, we believe that the 10-minute estimate is too low. Respondents to our interviews estimated that the average time devoted to dealing with such problems was 14 to 38 minutes, with 20 minutes as the approximate mean.¹

We multiplied the estimate of 20 minutes per issuance problem by the number of food stamp issuances returned or held by the food stamp issuance center to yield an estimate of the total time spent on dealing with these problems. The estimated number of issuance problems used in this calculation (14,257) between January and June 1989 (Item 1) must be viewed only as an approximation of the actual number of problems, because some lost issuances are never returned, and, conversely, some issuances that are held are ultimately released without posing a real problem. However, our approximation of the correct number appears to be reasonable, and it is the number shown in Item 1 of the DSS calculations in the Exhibit B.1 spreadsheet.

Multiplying 14,257 problems by 20 minutes and dividing by 60 minutes per hour yields an estimate of 4,752 caseworker hours for dealing with problems. The total number of hours of caseworker time available in the relevant six-month period was 1,010 full-time-equivalent workers multiplied by 1,040 hours for the six-month period, or 1,050,400 hours. Thus, 4,752 divided by 1,050,400, or .0045, of total caseworker hours was attributable to dealing with issuance problems. This factor was multiplied by the total salary and fringe costs for these personnel for the relevant period, \$13,152,649, and by a 1.87 overhead factor applied by DSS to these staff, to yield a cost estimate of \$113,808.

Homeless Issuances. On the basis of interview information (primarily from the Logan Heights Office, which includes about half of San Diego's homeless caseload), it was assumed that homeless

¹The overall results of our calculations would not be influenced significantly by using assumptions within a range of the 20-minute figure.

issuances require 5 minutes, or $\frac{5}{60}$ of an hour per case. Tabulations of caseload files suggest that there were approximately 2,500 homeless issuances monthly during the relevant period.² Multiplying by 6 months and by $\frac{5}{60}$ of an hour per case and then dividing by the total caseworker time available yields a total of .0012 hours of caseworker time spent on this function. Converting to dollars using the same procedures as above yields a cost of \$29,269.

Overall Caseworker Cost. Adding the dollar numbers from issuance problems and homeless issuances yields \$143,077. Dividing by the food stamp issuance number cited earlier yields 50 cents per issuance.

D. COSTS OF CASEWORKER TIME PER CHECK ISSUANCE

Similar calculations were made to estimate the caseworker costs for issuing checks on a per-check basis. The same assumptions about the time per check for problematic checks and the time and number of homeless issuances were used. They yielded an estimated cost of 32 cents per check issuance.

E. COSTS OF LOCAL OFFICE CLERICAL STAFF PER COUPON ISSUANCE

Item 12 of Exhibit B.1 assumes that an immediate issuance requires a quarter of an hour of clerical time (line 5 of the item). However, on the basis of interviews cited earlier (including interviews of clerical unit supervisors in all eight of the San Diego County local DSS offices in operation at the start of cash-out), the clerical time required for a coupon issuance was estimated to be approximately 6 minutes, or one tenth of an hour. Based on this and the issuance count information in Item 1, we estimate that .1 times 21,748 immediate issuances, or 2,175 hours of clerical time, were devoted to immediate food stamp issuances during the first half of 1989. Based on Item 12, a total of 274,768 hours of clerical time was available. Thus, immediate issuances constituted .008 of the total time available. Multiplying this figure by total clerical salary and fringe benefits for the

²Based on a sampling printout labeled "STEP2." as of April 19, 1990.

period (Item 12) yields an estimated cost of \$17,510. Dividing by 284,567 issuances yields a per-issuance cost of 6 cents.

F. COSTS OF LOCAL OFFICE CLERICAL STAFF PER CHECK ISSUANCE

The staff interviews described earlier suggested that immediate issuances were considerably less time-consuming under cash-out than coupons. On the basis of our interviews, we estimated two minutes per issuance. Using calculations analogous to those described earlier yields the 2 cent estimate in the table.

G. POSTAGE FOR COUPON ISSUANCE

The estimate for postage costs for coupon issuance is based on Exhibit B.1, Item 13.

H. POSTAGE FOR CHECK ISSUANCES

The estimate for postage costs for check issuances is based on Exhibit B.1, Item 13.

I. PAPER, PRINTING, ENVELOPES, ETC., FOR COUPONS

Estimates for paper, printing, and envelopes for coupon issuances are based on Exhibit B.1, Items 3 and 4.

J. PAPER, PRINTING, ENVELOPES, ETC., FOR CHECKS

Estimates for paper, printing, and envelopes for check issuances are based on Exhibit B.1, Items 2 and 5.

K. AUDITOR MAILING AND RECONCILIATION FOR CHECKS

Estimates for mailing and reconciling checks are based on Exhibit B.1, Items 6 and 7.

L. BANK CHARGES FOR CHECKS

Estimates of bank costs for checks are based on Exhibit B.1, Item 8.

M. ARMORED CAR AND STORAGE FOR COUPONS

Estimates for armored-car and storage services for coupons are based on Exhibit B.1, Items 15 and 16.

N. CENTRAL OFFICE SPACE FOR COUPONS

Estimates for central office space for coupons are based on Exhibit B.1, Item 17.

O. CENTRAL OFFICE SPACE FOR CHECKS

No estimate was available from DSS on space charges for the Warrant Control Unit. We estimated these charges by computing the space charge per full-time equivalent for the Food Stamp Issuance Center and multiplying that by the full-time-equivalent personnel in the Warrant Control Unit.

APPENDIX C
ISSUANCE LOSS STATISTICS

TABLE C.1
ISSUANCE SYSTEM LOSSES UNDER COUPONS AND CASH

	A	B	C	D	E	F
Month	Total Value of Food Stamp Benefit Issuances	Number of Food Stamp Issuances by Coupon	Number of Food Stamp Issuances by Check	Replacement for Coupons Reported Lost in Mail and Not Returned to the County	Food Stamp Losses from Inventories	Food Stamp Benefit Checks Lost or Stolen and Then Cashed Fraudulently
1989						
January	\$4,245,462	46,707	n.a.	\$16,799	\$65	n.a.
February	4,249,934	46,879	n.a.	21,660	0	n.a.
March	4,375,191	48,440	n.a.	29,252	25	n.a.
April	4,279,418	46,980	n.a.	17,298	7	n.a.
May	4,349,871	47,543	n.a.	29,423	4	n.a.
June	4,433,575	48,018	n.a.	23,486	2	n.a.
July	4,335,842	46,645	n.a.	18,864	3	0
August*	4,095,766	39,667	8,864	21,236	0	0
September	3,777,898	38,867	8,700	15,205	4	0
October	5,146,026	39,770	8,719	20,607	60	0
November	5,212,956	39,426	9,214	29,494	7	0
December	5,299,768	39,904	9,534	25,765	3,137 ^a	78
1990						
January	5,421,172	40,917	9,670	22,111	0	0
February	5,382,791	40,612	9,832	20,171	65	63
March	5,671,113	43,154	10,246	29,063	90	63
April	5,574,924	42,064	10,163	31,650	0	0
May	5,644,068	42,753	10,080	29,617	0	78
June	5,644,896	42,767	10,385	27,722	2	0
July	5,701,790	42,980	10,330	32,078	2	0
August	5,826,321	43,316	11,423	44,205	0	76
September**	5,848,333	54,497	109	n.a.	n.a.	0
October	6,834,214	n.a.	57,219	n.a.	n.a.	427
November	6,901,817	n.a.	57,252	n.a.	n.a.	619
December	6,984,827	n.a.	58,340	n.a.	n.a.	574
1991						
January	7,133,069	n.a.	59,830	n.a.	n.a.	2,695
February	7,287,179	n.a.	61,244	n.a.	n.a.	468
March	7,503,151	n.a.	63,198	n.a.	n.a.	5,575
April	7,601,572	n.a.	64,124	n.a.	n.a.	0
May	7,664,356	n.a.	64,938	n.a.	n.a.	0
June	7,755,853	n.a.	64,854	n.a.	n.a.	0

SOURCE: Columns A - C: Data supplied by DSS on 11/8/90 and 1/23/93.
Column D: FNS-259 forms submitted by San Diego County.
Column E: Communications from DSS dated 7/9/92 and 1/23/93.
Column F: Internal DSS memo dated 8/22/91.

NOTE: Missing data are currently being compiled by San Diego County.

^aIncludes a \$3,135 theft.

n.a. = not applicable.

* Beginning of partial cash-out.

** Beginning of full cash-out.

APPENDIX D

CASELOAD DATA USED IN ANALYZING EFFECTS OF THE DEMONSTRATION ON PARTICIPATION

TABLE D.1

FOOD STAMP CASELOADS IN SELECTED CALIFORNIA COUNTIES:
JULY 1988 TO JULY 1992

	San Diego County	Riverside County	Los Angeles County	Orange County	Rest of State
1988					
July	36,952	14,692	197,301	12,749	295,127
August	36,836	14,814	197,929	13,042	293,390
September	37,820	14,873	199,980	13,698	298,908
October	38,468	15,046	201,903	13,742	299,758
November	38,516	15,098	203,114	14,147	301,527
December	38,294	15,188	205,043	14,514	305,074
1989					
January	38,680	15,560	206,722	14,583	309,736
February	38,858	15,793	207,970	14,893	314,342
March	38,902	15,610	208,688	15,126	317,967
April	40,209	15,983	210,588	16,182	327,319
May	39,678	15,657	211,847	16,388	323,408
June	39,830	15,676	212,489	16,741	323,577
July	40,416	15,501	212,607	17,230	322,953
August	40,192	15,532	211,003	17,358	319,023
September	38,401	15,948	213,189	18,148	323,244
October	39,532	15,933	216,181	18,294	323,262
November	40,221	16,058	218,448	19,143	326,881
December	40,701	16,297	221,910	19,723	330,134
1990					
January	40,955	16,473	226,408	20,004	334,614
February	42,087	16,526	228,136	21,098	342,396
March	42,589	16,561	229,539	21,491	346,412
April	43,924	16,700	231,596	22,636	348,696
May	43,712	16,839	234,865	22,763	351,783
June	44,864	16,883	238,189	23,050	354,526
July	45,097	16,828	240,005	22,903	346,134
August	45,585	17,020	236,579	23,173	350,558
September	47,006	17,611	246,781	23,673	354,995
October	47,030	17,820	249,767	23,242	350,859
November	48,423	18,415	255,077	23,903	359,373
December	48,949	18,608	260,603	22,987	365,154

TABLE D.1 (continued)

	San Diego County	Riverside County	Los Angeles County	Orange County	Rest of State
1991					
January	49,555	18,731	264,130	24,335	366,559
February	51,675	19,537	269,798	25,519	384,621
March	52,774	20,212	272,477	26,203	395,180
April	53,995	20,831	278,990	27,822	403,702
May	54,758	21,476	283,626	28,538	413,498
June	55,898	21,878	287,588	30,316	417,506
July	56,034	22,003	292,398	29,325	414,551
August	57,018	22,575	298,724	30,502	418,232
September	57,640	23,203	306,558	31,213	422,629
October	57,834	23,703	313,018	31,252	421,920
November	59,588	24,565	319,887	33,215	432,716
December	58,856	24,885	325,466	33,708	435,983
1992					
January	59,887	24,844	332,204	35,052	444,651
February	61,154	26,054	337,798	36,651	458,233
March	61,552	26,749	342,758	37,003	462,766
April	62,482	27,718	346,603	38,455	471,756
May	62,055	28,027	353,906	39,184	474,628
June	61,838	28,272	355,299	39,350	470,089
July	61,978	28,148	357,000	39,919	467,661

SOURCE: California Department of Social Services, "Food Stamp Program Monthly Caseload Movement Statistical Reports." Data are for the beginning of the month shown. These caseload data may differ slightly from case counts or issuance counts provided elsewhere in the report, because these data show active cases *at a specific point* in each month, rather than the total number of cases served any time during the month.

TABLE D.2

UNEMPLOYMENT RATES IN SELECTED CALIFORNIA COUNTIES:
JULY 1988 TO JULY 1992

	San Diego County	Riverside County ^a	Los Angeles County	Orange County
1988				
July	4.9	7.0	5.6	3.5
August	4.7	6.8	5.4	3.3
September	4.3	6.1	4.8	3.1
October	4.0	5.5	4.3	3.0
November	4.1	5.6	4.4	2.9
December	3.3	4.7	3.6	2.4
1989				
January	4.0	5.8	4.4	3.0
February	4.0	6.0	4.4	3.0
March	3.3	4.7	3.7	2.5
April	3.9	5.7	4.3	3.0
May	4.1	5.9	4.6	3.1
June	4.3	6.6	5.0	3.3
July	4.7	7.5	5.6	3.6
August	3.9	6.2	4.4	2.9
September	4.2	6.4	4.8	3.2
October	3.8	5.8	4.2	2.9
November	3.5	5.3	5.2	2.6
December	3.5	4.9	5.0	2.4
1990				
January	3.8	5.4	5.9	2.9
February	3.7	5.5	5.5	2.7
March	3.5	5.1	5.9	2.5
April	3.9	5.8	5.4	2.9
May	4.3	6.3	5.4	3.2
June	4.3	6.3	4.6	3.3
July	5.0	7.8	5.4	3.6
August	4.3	6.8	6.6	3.3
September	5.1	7.8	6.1	3.8
October	5.1	7.0	6.2	3.6
November	5.5	8.5	5.8	4.1
December	5.4	7.9	6.2	4.1

TABLE D.2 (continued)

	San Diego County	Riverside County ^a	Los Angeles County	Orange County
1991				
January	6.3	9.0	6.6	4.7
February	6.3	9.4	7.4	4.8
March	6.3	9.1	6.9	4.8
April	6.1	8.9	7.2	4.6
May	6.4	9.2	8.4	4.8
June	7.1	9.7	8.5	5.4
July	7.0	10.0	8.6	5.4
August	6.0	9.1	8.5	4.7
September	6.2	9.1	9.3	4.9
October	6.3	9.2	7.8	5.0
November	5.6	8.1	8.5	4.4
December	5.5	8.3	8.3	4.4
1992				
January	6.6	9.8	8.6	5.3
February	6.8	10.3	9.9	5.5
March	6.6	9.8	9.0	5.5
April	6.8	10.3	7.1	5.7
May	7.1	10.5	9.8	5.9
June	8.1	11.7	9.8	6.7
July	7.3	11.5	11.2	6.1

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. *State and Metropolitan Area Employment and Unemployment*, various issues.

^aThe available data for Riverside also include San Bernadino County. This labor-market area had a substantially higher unemployment rate in July 1990 than in either June or August 1990. Thus, the table may somewhat underestimate the true increase over the analytical period.

APPENDIX E
WEIGHTING METHODOLOGY

The retailer survey results are computed from a stratified random probability sample of food retailers selected to represent the population of 949 stores authorized to accept food stamp coupons when San Diego County converted to food stamp cash-out. To ensure that the samples were large enough to allow us to analyze the data on supermarkets and smaller stores separately, we stratified the sample according to whether or not retailers are larger stores (with monthly food stamp redemptions of greater than or equal to \$4,000). Large stores were selected with certainty; within the other stratum, stores were selected with a probability proportional to size, as measured by food stamp redemptions.

Two sets of weights were used in the study of retailers. The first set of weights made the sample directly representative of the entire population of authorized food retailers in San Diego County. We could thus make such statements as, "At XX percent of the stores, store managers estimated that sales decreased as a result of cash-out." The second weighted stores to represent the size of their food stamp redemptions prior to cash-out. Under this approach, the sample was representative of the characteristics of stores where a typical dollar amount of food stamps is used. We were then able to make such statements as, "At stores accounting for XX percent of food coupon redemptions, store managers estimated that sales had decreased due to cash-out."

A. PROBABILITIES OF SELECTION

Two sampling strata were used to select the sample: stores whose food stamp redemptions were \$4,000 or more, and stores whose food stamp redemptions were less than \$4,000. For stores in the first stratum, the selection probability was 1.0. For stores in the second stratum, we selected stores with a probability proportional to size, using a sampling interval approach from a list frame. The sampling interval was \$2,009. Thus, any store in the second stratum whose food stamp redemptions were \$2,009 or more also had a selection probability of 1.0. Smaller stores had a lower probability of selection. For instance, a store with sales of \$1,004 had a 50 percent chance of being in the sampling interval.

For the stores in the second stratum, the probability of selection was:

$\text{Min} [1.0, (\text{size}/2009)]$.

B. WEIGHTS REFLECTING STORES

For tabulations whose results are representative of all stores, the weights were set inversely to the probabilities of selection defined above. Let P be a store's probability of selection. Then, the store weight, $W1$, is defined to be: $W1 = 1/P$.

The store weights were then scaled so that their sum equaled the number of stores in the sample. Define the scale factor $N1$ to be the inverse of $\sum W1/n$, where $W1$ is the store weight variable defined above, and " n " is the number of stores in the retailer sample. Thus, the final weight variable ($X1$, reflecting all stores) is defined as $X1 = N1 \times W1$.

C. WEIGHTS REFLECTING FOOD STAMP REDEMPTIONS

The second weight made stores representative of all food stamp redemptions in the county. These weights were computed by multiplying the first set of weights by a store's food stamp redemptions (measure of size).

A weight variable, $W2$, was created to reflect all food stamp redemptions. This variable is defined as $W2 = W1 \times \text{SIZE}$, where $W1$ is the weight variable reflecting stores, and SIZE measures food stamp redemptions in the month prior to cash-out.

The weights were then scaled so that their sum equaled the dollar value of food stamp redemptions in the sample. Define the scale factor $N2$ to be the inverse of $\sum W2/\sum \text{SIZE}$. Thus, the final weight variable ($X2$, reflecting food stamp redemptions) is defined as $X2 = N2 \times W2$.

APPENDIX F

THE RETAILER SURVEY: IMPLEMENTATION, ELIGIBILITY AND NONRESPONSE RATES, AND REFUSAL REASONS

The retailer survey began with a telephone screening interview of the sampled establishments one week prior to the interview. The screening interview identified respondents who were store owners or managers or other persons who were most familiar with the stores' sales and operations both before and after the introduction of cash-out. If the store did not have a manager or owner who had experience with both coupon and check benefits, the store was deemed to be ineligible for the survey. After the initial screening call, we mailed a letter about the survey to the designated respondent (see Exhibit F.1). The letter informed the respondent about the study, reassured him or her about the confidentiality of the information, and indicated that the study was supported by the Food and Nutrition Service, the San Diego County Department of Social Services, and the Southern California Retailer Association. Telephone interviews of the store owners and managers were then conducted by trained interviewers from MPR's centralized telephone interviewing center in Princeton, NJ (see Exhibit F.2).

Ninety-three (93) percent of the stores selected for the retailer sample were eligible to participate in the survey. In order for a sampled store to be eligible, a knowledgeable respondent had to be identified, and the store had to be operating as a retail food store at the time the interview was conducted. A knowledgeable respondent was defined operationally as someone who could answer questions about the activities of the store both before and after the change from food stamp coupons to cash-out benefits. The knowledgeable respondent was usually the store owner or store manager. Knowledgeable respondents were available for all but 24 of the 523 stores in the sample. Just 12 stores were ineligible for the sample because they went out of business prior to the time of interviewing (November to December 1991). The overall eligibility rate for stores whose food stamp receipts were greater than or equal to \$4,000 monthly was 96 percent, while the eligibility rate for stores whose monthly food stamp receipts were less than \$4,000 was 91 percent (see Table F.1). Reasons for ineligibility were about the same for stores whose monthly food stamp receipts were

EXHIBIT F-1
RESPONDENT LETTER

December 21, 1992

3~
4~
5~
6~, 7~ 8~

Dear 2~:

The Food and Nutrition Service of the United States Department of Agriculture is conducting a survey of retail food stores to evaluate the Food Stamp Cash-out Demonstration that is being conducted in San Diego County. As you probably know, this demonstration is a study which replaces food stamp coupons with "cashed-out" benefits that are dispersed monthly by check. Your customers who receive AFDC get their cashed-out benefits in the same check as their monthly AFDC payment.

The study is being carried out by MATHEMATICA POLICY RESEARCH INC., an independent research company, in Princeton, NJ.

The survey seeks to evaluate the impact of "cash-out" on food retailers. We hope to learn how "cash-out" effects operating costs, sales of food and nonfood items, retailer employment, and store operations.

Your participation in this study involves a fifteen to thirty minute telephone interview that will be scheduled at your convenience. Participation in the study is voluntary, but very important. The information you provide during the telephone interview will be held in strictest confidence. It will not be associated with your name or the name of your store.

An interviewer from Mathematica Policy Research will be calling you within the next few days to complete the interview. He or she will answer any questions you have about the survey at that time. If you have any questions before then, please call Anne Ciemnecki, the Survey Director at Mathematica. The number is 1-800-395-1995. There is no charge for the call.

This survey has the support of the Southern California Retailer's Association.

Sincerely,

Anne B. Ciemnecki

Public reporting burden for this collection of information is estimated to average thirty minutes per respondent, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments concerning this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Information Management, Department of Agriculture, 3101 Park Center Drive, Alexandria, VA 22802 and to the Office of Management and Budget, Paperwork Reduction Project (0584-0414), Washington, D.C. 20503.

SAN DIEGO FOOD STAMP CASH-OUT DEMONSTRATION**RETAILER'S SURVEY****SCREENER**

-
1. Hello, my name is _____ and I am calling from Mathematica Policy Research, a research company in Princeton, New Jersey. We are conducting a study for the United States Department of Agriculture about the recent change from food stamps to check based food benefits. I would like to send a letter about the study to (you/the person in your store who would be most knowledgeable about the affect that the change has had on your store).

EXPLAIN AS NECESSARY: About one year ago, the United States Department of Agriculture stopped issuing food stamp coupons in San Diego County. Instead, they issued food benefits in the form of checks. This change was called "cash-out". San Diego is one of four sites that the Department of Agriculture selected to test "cash-out". The government is evaluating the effects of cash-out on household food use, administrative costs, and food retailers.

Generally, that person is the store manager or owner. Can you please tell me to whom I should address the letter.

RECORD:

PERSON'S NAME: _____

TITLE: _____

CONFIRM:

ADDRESS: _____

2. The questions will ask (you/NAME) to compare activities at your store before and after the change from food stamp coupons to cashed-out benefits. To answer our questions, (you/NAME) would have had to experience both types of food benefits in your store. (Were you/Was NAME) working in this store prior to September 1, 1990?

YES.....01

NO.....(SKIP TO Q.4).....00

3. Thank you. I will be mailing (you/NAME) a letter about the study today and calling back in about a week to answer questions and do the interview.

What is the best time to call back to reach (you/NAME)? **RECORD ON CONTACT SHEET.**

What is the best number to reach (you/NAME) at? **RECORD ON CONTACT SHEET.**

END

4. Is there anyone else working in the store who would have experienced both food benefit systems and who would be able to answer survey questions?

PROBE: Perhaps the former store manager?

YES.....01

NO.....(THANK RESPONDENT AND END).....00

5. Who would that be?

PERSON'S NAME: _____

TITLE: _____

ADDRESS: _____

PHONE: _____

CONTINUE BY CALLING PERSON NAMED IN QUESTION 5. BEGIN AGAIN AT Q.1.

SAN DIEGO FOOD STAMP CASH-OUT DEMONSTRATION**RETAILER'S SURVEY QUESTIONNAIRE**

-
1. Hello, my name is _____ and I am calling from Mathematica Policy Research, a research company in Princeton, New Jersey. Last week, we sent you a letter about a survey we are conducting to evaluate the Food Stamp Cash-Out Demonstration in San Diego County. I am calling now to conduct the interview by telephone. We can begin now, or I can schedule an appointment and call you back at your convenience.

BEGIN.....01

SCHEDULE → RECORD APPOINTMENT ON CONTACT SHEET

OTHER → EXPLAIN ON CONTACT SHEET

2. Before we begin, I would like to confirm some information.

About one year ago, the United States Department of Agriculture stopped issuing food stamp coupons in San Diego County. Instead, they issued food benefits in the form of checks. This change was called "cash-out". The cash-out food benefit comes in the pink county welfare check.

Most of the questions ask you to compare activities at this store before and after the change from food stamp coupons to cash-out benefits. The questions are about this store, the one located at (ADDRESS ON CONTACT INFORMATION SHEET) and not (the entire chain/another store you may own). To answer our questions, you would have had to experience both types of food benefits at this store. Were you working in this store prior to September 1, 1990?

YES.....01

NO → PROBE FOR NAME OF SOMEONE WHO HAS
EXPERIENCED BOTH FORMS OF BENEFITS
AND IS KNOWLEDGEABLE ABOUT THE EFFECTS
OF CASH-OUT ON STORE OPERATIONS.

STORE BACKGROUND INFORMATION

3. How many years has this store been in operation?

PROBE: IF CHANGED HANDS, ASK: How many years has this store been under its current ownership?

IF CHAIN, PROBE: The store at this location.

|__|__| YEARS → SKIP TO Q.6

DON'T KNOW.....-1

4. Has this store been in operation more than 10 years?

YES.....(SKIP TO Q.6).....01

NO.....00

5. Has this store been in operation more than five years?

YES.....01

NO.....00

IMPACT OF CASH-OUT ON SALES

6. Most of the questions are about the effects of cash-out on retail food stores. I understand that other things may have also affected your operations recently such as the 23 percent increase in the food stamp caseload over the past 13 months. But, I'd like you to think about just on the effects of cash-out.

To begin, I have just one question about sales. Before food stamp cash-out, approximately what percentage of your store's total monthly sales did food stamp coupons represent?

NOTE: $\frac{1}{2}$ of 1% = 00.50

$\frac{1}{4}$ of 1% = 00.25

|__|__|. |__|__| PERCENT OF MONTHLY SALES
REPRESENTED BY FOOD STAMP
COUPONS

7. Now, I will read a list of different types of stores. For each type of store I mention, please tell me if you think food assistance recipients shop more, less, or about the same at these stores under cash-out as they did under the coupon system. Please think about the difference between cash-out and the coupon system. Do not take into account other conditions like the economy or local market fluctuations.

Do you think people who receive food benefits shop more, less, or about the same at (STORE TYPE) under cash-out than they did under the coupon system?

	<u>MORE</u>	<u>LESS</u>	<u>SAME</u>	<u>DON'T KNOW</u>
a. Supermarkets	01	02	03	-1
b. Smaller grocery stores	01	02	03	-1
c. Convenience stores	01	02	03	-1
d. Other food stores such as dairies or butchers	01	02	03	-1
e. Non-food stores	01	02	03	-1

PROBE: Any other store?

8. In answering the next question, again please think about how cash-out has changed your sales volume. Do not count changes due to other conditions in the economy or local market. Would you say that in general (ITEM) have increased, decreased, or remained the same (due to cash-out)?

IF INCREASED OR DECREASED, ASK: Has it (increased/decreased) a lot or a little?

	<u>INCREASE</u>		<u>DECREASE</u>		<u>SAME</u>
	<u>LOT</u>	<u>LITTLE</u>	<u>LOT</u>	<u>LITTLE</u>	
a. Sales of food items that can be purchased with food stamps .	01	02	03	04	05
b. Sales of food items that cannot be purchased with food stamps such as deli and/or prepared foods	01	02	03	04	05
c. Sales of non-food items	01	02	03	04	05
d. Total sales of all items	01	02	03	04	05

PROBE: Food and non-food.

IMPACT OF CASH-OUT ON STAFFING

9. A. Now I'd like to change the subject and talk about staffing. I will read a list of activities. Please tell me whether the change from food stamp coupons to the food assistance checks or cash-out has increased or decreased the amount of time your staff spends on the activity.

Think about staffing changes caused by differences in administrative procedures, not changes caused by differences in sales.

The first activity is customer check out. Has the amount of time spent checking out customers increased, decreased, or not changed at all?

- B. IF INCREASE OR DECREASE, by how much has this changed. You may answer in hours per month or in percent of overall hours spent.

	A. CHANGE			B. AMOUNT	
	INCREASE	DECREASE	SAME	HOURS PER MONTH	OR PERCENT
a. customer checkout time	01 _____ 02		03 → GO TO NEXT ↓	_ _ _	_ _ . _ _
	GO TO B. AMOUNT				
b. reconciling store receipts and preparing bank deposits	01 _____ 02		03 → GO TO NEXT ↓	_ _ _	_ _ . _ _
	GO TO B. AMOUNT				
c. handling fraudulent or bad checks	01 _____ 02		03 → GO TO NEXT ↓	_ _ _	_ _ . _ _
	GO TO B. AMOUNT				
d. cashing checks and service counter activities	01 _____ 02		03 → GO TO NEXT ↓	_ _ _	_ _ . _ _
	GO TO B. AMOUNT				
e. training new cashiers	01 _____ 02		03 → GO TO NEXT ↓	_ _ _	_ _ . _ _
	GO TO B. AMOUNT				
f. training new employees other than cashiers	01 _____ 02		03 → GO TO NEXT ↓	_ _ _	_ _ . _ _
	GO TO B. AMOUNT				
g. supervising	01 _____ 02		03 → GO TO NEXT ↓	_ _ _	_ _ . _ _
	GO TO B. AMOUNT				

10. How many full-time employees currently work at this store?

|_|_|_| FULL-TIME EMPLOYEES

11. How many part-time employees currently work at this store?

|_|_| PART-TIME EMPLOYEES

12. On average, how many hours per week does a part-time employee work?

|_|_| HOURS PER WEEK

13. In general, have you increased or decreased your store's total staff hours at this store since September 1990?

INCREASED.....01

DECREASED.....02

NO CHANGE.....(SKIP TO Q.17).....03

14. Was any of that change because of cash-out?

YES.....01

NO.....(SKIP TO Q.17).....00

DON'T KNOW.....(SKIP TO Q.17).....-1

15. How much have you (increased/decreased) total staff hours at this store because of cash-out?

NOTE: $\frac{1}{2}$ of 1% = 00.50

$\frac{1}{4}$ of 1% = 00.25

|_|_| # OF HOURS

|_|_|. |_|_| PERCENT OF
INCREASE OF
STAFF HOURS

16. Which is the main reason you think cash-out affected your staffing.
Would you say it is...

because of changes in sales or.....01

because of the difference in handling
coupons compare to checks or cash?.....02

Other (SPECIFY) _____03

EXPERIENCE WITH FOOD ASSISTANCE CHECKS

17. Next, I'd like to ask about your store's experience with food assistance checks.

Does your store cash food assistance checks?

PROBE: For many people, the cash-out benefit is combined with the pink county welfare check.

YES.....01

NO.....(SKIP TO Q.33).....00

18. Since September 1990, has cashing food assistance checks ever caused you to...

	<u>YES</u>	<u>NO</u>
a. run low on cash?	01	00
b. increase the cash you keep on hand?	01 → ASK Q.18c	00 → SKIP TO Q.19
c. IF YES TO "b", ASK: By what percentage have you increased the cash you keep on hand?	_ _ _ . _ _ _	PERCENT INCREASE IN CASH ON HAND

NOTE: $\frac{1}{2}$ of 1% = 00.50

$\frac{1}{4}$ of 1% = 00.25

19. Is there a limit on the size of the food assistance check that your store will cash?

YES.....01

NO.....(SKIP TO Q.21).....00

20. What is that limit?

\$ |_|_|, |_|_|_|_|

NOTES: _____

21. Does your store require a purchase to be made in order to cash a food assistance check?

YES.....01

NO.....(SKIP TO Q.24).....00

22. Is there a minimum purchase that must be made?

YES.....01

NO.....(SKIP TO Q.24).....00

23. How much is the minimum purchase?

\$ |__|__|__|

OR

|__|__|. |__|__| PERCENT OF CHECK

24. Does your store require identification to cash food assistance checks?

YES, ALWAYS.....01

YES, FOR NON-REGULAR CUSTOMERS.....02

NO.....(SKIP TO Q.27).....00

25. What kinds of identification does your store accept?

PROBE: Any other kinds of identification?

CIRCLE ALL THAT APPLY

A. STORE ISSUED CHECK CASHING CARD....01

B. DRIVER'S LICENSE.....02

C. CALIFORNIA ID.....03

D. MILITARY ID.....04

E. MAJOR CREDIT CARD OR BANK CARD....05

F. FOOD STAMP ID CARD.....06

G. SOCIAL SECURITY CARD.....07

H. THUMB PRINT.....08

I. OTHER (*SPECIFY*).....09

_____ |__|__|

26. How many pieces of identification are required?

|_|_|_| PIECES OF IDENTIFICATION

27. Does your store charge a fee to cash food assistance checks?

YES.....01

NO.....(SKIP TO Q.29).....00

28. How much is the fee?

INTERVIEWER: CODE AMOUNT OR PERCENT.

PROBE: Is that dollars or percent of the check value?

NOTE: $\frac{1}{2}$ of 1% = .50

$\frac{3}{4}$ of 1% = .75

\$ |_|_|_|. |_|_|_|

OR

|_|_|_|. |_|_|_| PERCENT OF
CHECK VALUE

NOTES: _____

29. Is the unspent balance of the food assistance check returned in cash, store credit, or both?

CASH.....01

CREDIT.....02

BOTH.....03

30. Has your store cashed any fraudulent or bad food assistance checks?

YES.....01

NO.....(SKIP TO Q.33).....00

31. How many fraudulent food assistance checks would you say your store cashed since September 1, 1990?

PROBE: Your best estimate is fine.

|__|__| FRAUDULENT CHECKS

32. How much has your store lost from fraudulent food assistance checks since September 1, 1990?

\$ |__|__|,|__|__|__|

USE OF FOOD STAMP COUPONS

33. Do customers still use food stamp coupons in your store?

YES.....01

NO.....(SKIP TO Q.35).....00

34. What was the approximate dollar value of food stamp coupons used at your store last month?

\$ |__|,|__|__|__|

IMPACT OF CASH-OUT ON BANK TRANSACTIONS

35. A. On average, how often do you now deposit store receipts in the bank?

|__|__| TIMES

PER DAY.....01

WEEK.....02

- B. Prior to cash-out, on average how often did you deposit food stamp coupons in the bank?

|__|__| TIMES

PER DAY.....01

WEEK.....02

MONTH.....03

IMPACT OF CASH-OUT ON NONLABOR COSTS

36. A. Please tell me about any costs--other than labor costs--that increased or decreased because of cash-out. (INTERVIEWER: LIST RESPONSES IN Q.36A BELOW.)

PROBE: Any others?

NO OTHERS.....00 → GO TO Q.37

Q.36A	36B. INTERVIEWER: FOR EACH ITEM IN Q.36A, ASK: Did that cost increase or decrease because of cash-out?	36C. By what percentage did that cost (increase/decrease) because of cash-out?
	INCREASED DECREASED	PERCENT DON'T KNOW
(1) _____	01 - GO TO Q.36C.1 02 - GO TO Q.36C.1	_____._____._____._____. -1
(2) _____	01 - GO TO Q.36C.2 02 - GO TO Q.36C.2	_____._____._____._____. -1
(3) _____	01 - GO TO Q.36C.3 02 - GO TO Q.36C.3	_____._____._____._____. -1

IMPACT OF CASH-OUT ON OVERALL PROFITS

37. Now, please think about the overall impact of cash-out on profits. Would you say that overall this store's monthly profits have increased a lot, increased a little, decreased a lot, decreased a little, or remained the same (due to cash-out)?

INCREASED A LOT.....01
 INCREASED A LITTLE.....02
 DECREASED A LOT.....03
 DECREASED A LITTLE.....04
 REMAINED THE SAME.....05

RETAILERS PREFERENCE FOR FOOD STAMP COUPONS VERSUS CHECKS

38. As a food retailer, do you prefer food stamp coupons or food assistance checks, or do you not have a preference?

FOOD STAMP COUPONS.....01
 FOOD ASSISTANCE CHECKS.....02
 NO PREFERENCE.....(SKIP TO Q.41).....03

39. For what reasons do you prefer (food stamp coupons/food assistance checks)?

PROBE: What other reasons?

RECORD VERBATIM, THEN CODE: _____

CIRCLE CODES FOR ALL
ANSWERS GIVEN TO:

Q.39 <u>ALL REASONS</u>	Q.39 <u>MAIN REASON</u> (CIRCLE ONE)
----------------------------	--

STORE PROFITS AND RECIPIENT SPENDING:

STORE PROFITS HIGHER	01	01
STORE OVERALL SALES HIGHER	02	02
STORE FOOD SALE HIGHER	03	03
STORE NONFOOD SALES HIGHER	04	04

HANDLING CHECKS VS. COUPONS:

LESS CASH NEEDED FOR CHANGE . . .	05	05
LESS STAFF TIME NEEDED TO HANDLE BENEFITS	06	06
LESS STAFF TRAINING NEEDED	07	07
LESS TIME IN CHECKOUT LINE	08	08

OTHER:

RECIPIENTS PREFER	09	09
LESS FRAUD	10	10
MISMANAGEMENT OF CASH CASES HARDSHIP/HUNGER	11	11
OTHER (SPECIFY)		
_____ . .	12	12
_____ . .	13	13

39a. **INTERVIEWER CHECK:** WAS MORE THAN ONE REASON CIRCLED IN QUESTION 39?

YES.....01

NO.....(SKIP TO Q.41).....01

40. Of the reasons you just gave me, which is the most important or main reason you prefer (food stamp coupons/food assistance checks)?
RECORD ABOVE (Q.39) OR CIRCLE VERBATIM.

SUGGESTIONS FOR IMPROVING DELIVERY OF FOOD BENEFITS

41. As a food retailer, what suggestions do you have for improving the delivery of food benefits?

MONTHLY GROSS SALES

42. For research purposes only, we need to know something about the volume of sales in your store. Please tell me the average monthly gross sales in your store.

PROBE: Your best estimate will be fine.

\$ |__|,|__|__|__|,|__|__|__|

Thank you very much. Those are all the questions I have.

43. INTERVIEWER: DID THE SAME PERSON ANSWER ALL QUESTIONS?

YES.....01

NO.....00

44. INTERVIEWER: WHAT (IS/ARE) (THIS/THESE) PERSONS JOB TITLES?

STORE OWNER.....01

STORE MANAGER.....02

ASSISTANT STORE MANAGER.....03

BOOKKEEPER.....04

FRONT END MANAGER (CHECK-OUT).....05

OTHER.....06

SPECIFY _____

_____ |__|__|

TIME ENDED: __ __ : __ __ AM....01 PM....02
--

TABLE F.1
ELIGIBILITY RATES

All Stores in Sample

Status	Number	Percentage
Sample Released	523	100.0
Eligible for Interview	487	93.1
Ineligible for Interview	36	6.9

Stores Whose Food Stamp Receipts Were Greater Than or Equal to \$4,000 in June 1990

Status	Number	Percentage
Sample Released	209	100.0
Eligible for Interview	201	96.2
Ineligible for Interview	8	3.8

Stores Whose Food Stamp Receipts Were Less Than \$4,000 in June 1990

Status	Number	Percentage
Sample Released	314	100.0
Eligible for Interview	286	91.0
Ineligible for Interview	28	8.9

more or less than \$4,000. In general, about two thirds of the ineligible stores had no knowledgeable respondent; one third went out of business (see Table F.2).

The response rate for the survey was the number of stores that completed interviews divided by the number of stores eligible to participate in the survey. The overall response rate was 81 percent (Table F.3). It was slightly higher for stores whose monthly food stamp receipts were greater than or equal to \$4,000 (90 percent) and slightly lower for stores whose monthly receipts were less than \$4,000 (76 percent). There were several reasons for this difference. Larger stores were more likely to have listed telephone numbers. Smaller stores were more likely to be owned and/or operated by individuals whose ability to respond to an English language interview was limited. In the larger stores, knowledgeable respondents were more willing to be interviewed when contacted. Although refusal rates were similar regardless of store size, respondents in smaller stores were more likely to procrastinate about completing the interview by telephone. Many of those who delayed the interview were the only person in the store when the interviewer called and could not take time away from store operations to participate. Furthermore, most of the larger stores were chain supermarkets. All but one of these chains supported the study, and their corporate offices encouraged individual store managers to participate.

TABLE F.2
REASONS FOR INELIGIBILITY

All Stores

Status	Number	Percentage
Number Ineligible	36	100.0
No knowledgeable respondent	24	66.7
Out of business	12	33.3

Stores Whose Food Stamp Receipts Were Greater Than or Equal to \$4,000 in June 1990

Status	Number	Percentage
Number Ineligible	8	100.0
No knowledgeable respondent	5	62.5
Out of business	3	37.5

Stores Whose Food Stamp Receipts Were Less Than \$4,000 in June 1990

Status	Number	Percentage
Number Ineligible	28	100.0
No knowledgeable respondent	19	67.9
Out of business	9	32.1

TABLE F.3
COMPLETION RATES AND REASONS FOR NONRESPONSE

All Stores

Status	Number	Percentage
Number Eligible	487	100.0
Completion Rate:		
Complete	396	81.3
Refusal or partial complete	36	7.4
No telephone	<u>27</u>	<u>5.5</u>
Subtotal	459	94.3
Nonresponse Reason:		
Could not complete after multiple attempts	18	3.7
Language barrier	8	1.6
Other	<u>2</u>	<u>0.4</u>
Subtotal	28	5.7

Stores Whose Food Stamp Receipts Were Greater Than or Equal to \$4,000 in June 1990

Status	Number	Percentage
Number Eligible	201	100.0
Completion Rate:		
Complete	180	89.5
Refusal or partial complete	16	8.0
No telephone	<u>4</u>	<u>2.0</u>
Subtotal	200	99.5
Nonresponse Reason:		
Could not complete after multiple attempts	0	0.0
Language barrier	1	0.5
Other	<u>0</u>	<u>0.0</u>
Subtotal	1	0.5

Stores Whose Food Stamp Receipts Were Less Than \$4,000 in June 1990

Status	Number	Percentage
Number Eligible	286	100.0
Completion Rate:		
Complete	216	75.5
Refusal or partial complete	20	7.0
No telephone	<u>23</u>	<u>8.0</u>
Subtotal	259	90.5
Nonresponse Reason:		
Could not complete after multiple attempts	18	6.3
Language barrier	7	2.4
Other	<u>2</u>	<u>0.7</u>
Subtotal	27	9.4

APPENDIX G

CONFIDENCE INTERVALS AROUND PROPORTIONS ESTIMATED WITH RETAILER SURVEY DATA

Many of the retailer survey-based results reported in the text are expressed in terms of the percentage of stores with various attributes, such as the percentage of stores whose staffing requirements were affected by the demonstration, or the percentage of stores reporting that cash-out reduced their sales.

In any analysis of the estimates presented in the text, it is useful to take into account the amount of *sampling error* associated with them. Sampling error can be expressed conveniently as the width of confidence intervals around the estimates. For instance, if 80 percent of stores are estimated to have a given attribute, then a 95 percent confidence interval may extend roughly plus or minus 6 percentage points around that estimate, meaning that we are 95 percent certain that the true value of the attribute being measured lies between 74 and 86 percent.

This appendix describes how we derived estimates of the confidence intervals associated with the percentage estimates in the body of the report, and presents the confidence intervals.

A. METHODOLOGY

As discussed in the main body of the report, two different weighting systems were used in various parts of the analysis--one set of weights made the tabulations representative of all stores in San Diego (essentially giving each store the same impact in the tabulations), and one set of weights made the tabulations representative of food stamp coupon redemptions prior to cash-out (essentially giving larger stores a relatively greater impact in the tabulations). We used both of these weighting methods to compute confidence intervals.

We used the following formula to compute the percentage estimates based on retailer survey data in the main body of the report:

$$(1) \quad \hat{p} = \frac{\sum_i^n [(w_i)(p_i)]}{\sum w_i},$$

where \hat{p} is the population proportion being estimated, p_i is the value of the binary (1.0) variable for the i th store, and W_i is the weight associated with the i th store.

Based on Cochran (1977),¹ the variance of that estimate is approximated by:

$$(2) \quad \text{var}(\hat{p}) = \frac{\sum_i^n W_i^2 [(\hat{p})(1-\hat{p})]}{(\sum W_i)^2}.$$

This expression has been used to produce the confidence intervals.²

B. CONFIDENCE INTERVAL WIDTHS

Table G.1 shows the widths of confidence intervals for different percentages and for the two types of weighting. Row 3 of the first column shows, for instance, that if the percentage being estimated were 30 percent and if the set of weights made the tabulations representative of all stores in San Diego County, then we would be 95 percent confident that the true estimate is between approximately 23 and 37 percent.

¹The expression in the text is based on equation (5.3) in Cochran (1977) for the special case where each observation is treated as a separate stratum.

²The expression $\frac{\sum_i^n w_i^2}{(\sum w_i)^2}$ can be interpreted as showing the "design effect," or the increase

in variance because the sample is not a simple random sample. In calculations representative of stores, this design effect is approximately 2.6. For tabulations representative of food stamp coupon redemptions, it is approximately 3.9. It may at first seem odd that the design effect is greater for tabulations representative of food coupon redemptions, even though the sample was drawn with a probability proportional to size (pps), based on this variable. The reason is that the sampling algorithm essentially took into the sample all of the available large supermarkets and still did not have sufficient observations to represent these stores fully in a pps sample. Thus, relatively large weights are associated with these stores, increasing the design effect. Of course, taking into account the "finite population correction factor" in the variance calculations would greatly reduce the estimated variances, because the sample contains all of the large supermarkets. We have chosen not to do so because we want to be able to generalize--at least in a nonrigorous sense--beyond the San Diego County setting.

TABLE G.1

WIDTHS OF CONFIDENCE INTERVALS FOR ALL STORES
 (Entries are 95% Confidence Interval Widths in Percentage Points)

Percentage Being Estimated	Tabulations Representative of Stores	Tabulations Representative of Food Stamp Coupon Redemptions
10, 90	± 4.7	± 5.9
20, 80	± 6.3	± 7.8
30, 70	± 7.2	± 8.9
40, 60	± 7.7	± 9.6
50	± 7.9	± 9.8

NOTE: Confidence intervals are calculated as 1.96 times the square root of the variance calculated according to equation (2).

Throughout the text, we often discussed the responses of managers of supermarkets and smaller stores separately. Confidence intervals are larger when we consider subgroups of stores. For subgroups, the confidence intervals shown in Table G.1 should be increased by:³

$$(3) \quad \sqrt{(396/\textit{subgroup size})}.$$

Tables G.2 and G.3 show the widths of confidence intervals for different percentages for supermarkets and smaller stores.

³As an approximation, we ignore differences in the design effects between the full samples and the subsamples.

TABLE G.2

WIDTHS OF CONFIDENCE INTERVALS FOR SUPERMARKETS
(Entries Are 95% Confidence Interval Widths in Percentage Points)

Percentage Being Estimated	Tabulations Representative of Stores	Tabulations Representative of Food Stamp Coupon Redemptions
10, 90	± 7.3	± 9.2
20, 80	± 9.8	± 12.1
30, 70	± 11.2	± 13.8
40, 60	± 11.9	± 14.9
50	± 12.3	± 15.2

TABLE G.3

WIDTHS OF CONFIDENCE INTERVALS FOR SMALLER STORES
(Entries Are 95% Confidence Interval Widths in Percentage Points)

Percentage Being Estimated	Tabulations Representative of Stores	Tabulations Representative of Food Stamp Coupon Redemptions
10, 90	± 6.1	± 7.7
20, 80	± 8.2	± 10.2
30, 70	± 9.4	± 11.6
40, 60	± 10.1	± 12.5
50	± 10.3	± 12.8